Frank Nicks

BUILDING·ON·REALITY

1985·1987

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Building on Reality

1985-1987

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Introduction

THE CHALLENGE

The Government agree with the view of the National Planning Board that the most serious problem facing the country is unemployment, particularly among the young and those who have been out of work for a long time. The Government have also found the bulk of the advice given by the Board in relation to economic and social policy acceptable.

The Government have also listened carefully to all the views expressed by different individuals and interest groups. But in the final analysis, the Government have drawn up this Plan in the interests of *all* the people of our country. No one interest has been given precedence over the national interest—that is how it must always be.

We can build an economy and a society that provides justice and security for all of its people. We are going to do it by recognising the realities of our present situation, and by confronting those realities head on.

GETTING TO SOLUTIONS

This Plan sets out to chart the way in which economic and social policy will develop over the next three years. It faces up—in a sober, realistic and thorough way—to the realities of today, and builds towards hope, and a secure future.

THE ISSUES AND THE OBJECTIVES OF THE PLAN

The Plan meets essential needs:

—the *need*, as the major priority, to halt and reverse the continuing upward spiral of unemployment: the Plan creates the conditions in which, after the sharp decline of the past four years, employment will be more readily

created and sustained. It provides substantial new measures to alleviate the present effects of unemployment, which deprives so many people, young and otherwise, of the experience and dignity of work;

—the *need* to ensure that the recent rapid rise in the burden of taxation is halted *now*: the Plan sets out to redistribute that burden in a way that will be seen as more equitable and having less disincentive effects; and it makes a start towards reducing it in a relatively short period of time;

—the *need* to make certain that, even in the face of scarce resources, social policy in health, education, welfare and housing is continuously developed: the Plan announces significant policy initiatives to meet the requirements of a growing, young population and to increase equality in our society;

—the *need* to make our institutions and public programmes work better: the Plan initiates a process of reform of those institutions to make them more efficient, more coherent, and more meaningful;

—the *need* within the Plan period to halt the diversion of an ever-increasing proportion of our tax revenue into interest payments on mounting public debt—a process that has been steadily reducing the room for financing essential public services, and for creating sustainable employment: the Plan reduces the share of what we produce that is absorbed by public spending and does so in a way that avoids excessive or too-rapid disturbance of essential services;

—the *need* to provide stability and certainty in the economy as a whole by clearly establishing the direction of policy.

THE CONSTRAINTS

A country like ours, which sells abroad almost 60 per cent of what it makes, and buys abroad almost 60 per cent of what it

needs, cannot ignore what is happening, and likely to happen, in the world around us.

In drawing up the Plan, the Government have made a number of careful judgments about the most likely direction of world economic events. These assumptions are spelled out in the Plan. Only if circumstances in the world were to be substantially different would it be necessary for the Government to make adjustments to the carefully constructed proposals of the Plan.

Chapter 1

Economic Outlook

SUMMARY

1.1 The economy is poised for recovery. Progress must be made in restoring balance to the public finances but, notwithstanding the structural changes involved in this process, overall economic growth in terms of GNP should average almost 2½ per cent per annum in this and the next three years, in contrast to the average small net decline recorded over the previous four years.

1.2 The long decline in employment, which since 1980 has reduced the numbers at work by some 40,000, is now coming to an end. The increase in unemployment has already slowed to a fraction of the former rate. Unemployment should begin to level out next year and be in decline in the latter part of the period of the Plan.

1.3 This chapter presents a projection of the main economic indicators for the years 1984-87. The projection is critically dependent on assumptions made about the evolution of the world economy and on domestic factors. The assumptions made concerning developments in the world economy are broadly in line with those being used by the EEC Commission in their medium-term forecasts. On the domestic front, the most critical assumption is that the evolution of Irish costs over the period of the Plan will be in line with the objectives set by the National Planning Board. Account is also taken of the planned progress to be made in restoring order to the public finances, as outlined in Chapter 7, and the various policy measures described elsewhere in the Plan.

INTERNATIONAL ENVIRONMENT

1.4 At present, the world economy is more buoyant than at any time in the past five years but outside the United States, where the economy has expanded rapidly, the recovery remains weak by historical standards. It has been largely fuelled by increased consumption, although there are now signs of a strengthening of investment. It is generally agreed that the vigorous up-swing in output and employment in the United States, which is underpinning much of the present recovery phase in the world economy, is not sustainable because of the associated excessive external and budgetary deficits.

1.5 Measures may be expected to contain the US deficits. Unless the base of the world recovery broadens, and the impetus currently being given to world economic growth by the US is then maintained by more expansionary economic policies in the rest of the OECD area, and notably by Japan and some of the less constrained economies of the European Community, there will be, at best, slower growth in the world economy, and, at worst, a new recession could be initiated.

1.6 Either way, growth in Irish export markets could be significantly lower than that being currently experienced. These dangers could be lessened by improved co-ordination of international economic policies among the major trading groups. The Irish Presidency of the EEC Council has expressed its concern that the application of the economic policies being pursued should maximise the scope for joint action to increase their beneficial effects, particularly in respect of employment, throughout the European Community. Later this year, at the initiative of the Irish Presidency, consideration will be given to this issue by the EEC member States and the Commission in the context of their examination of the Annual Economic Report 1984-85 for the Community.

1.7 When account is taken of the moderation in inflation that has taken place, interest rates worldwide are now at exceptionally high levels. This has been a major factor in

inhibiting investment both in Ireland and abroad. Together with the continued remarkable strength of the US dollar, the present high real interest rate levels have also added, especially in the recent past, to the burden of foreign debt of Ireland and other nations to an unforeseen extent.

1.8 There is considerable uncertainty about future movements in international interest and exchange rates. This uncertainty again arises from the conviction that the present levels of the US external and budgetary deficits are unsustainable and also from fears in some financial markets that the fall in inflation rates may prove to be only a temporary one. While it is generally agreed that real interest rates cannot remain at their present levels over the medium-term, there is no consensus as to when they will start to come down or as to the extent of their decline.

1.9 Despite the many uncertainties, the domestic determinants of Irish economic performance require to be planned against the background of some view of the international environment. The projections set out in this Plan are based on the following scenario concerning external developments for the period 1984 to 1987:

—world trade and Ireland's export markets will grow on average by about 4½ per cent per annum;

—average earnings per head in our main trading partners will grow by, at most, 7 per cent per annum;

—consumer prices in our main trading partners will grow on average by about 5 per cent per annum;

—the exchange rate of the IR£ will remain broadly stable, although some improvement against the US dollar is expected over the period of the Plan;

—foreign interest rates, particularly US dollar rates, while remaining high in the immediate future, will fall significantly over the period to 1987. A corresponding reduction in domestic interest rates is also assumed.

1.10 It must be emphasised that the actual outturn for the international economic environment over the next few years could be significantly different from these assumptions. However, what will not change is the priority objective of increasing sustainable employment, and the absolute necessity, in order to do so, of improving Ireland's competitive position within whatever external environment prevails. This position will be largely determined by domestic decisions.

DOMESTIC FACTORS

Price and Income Developments

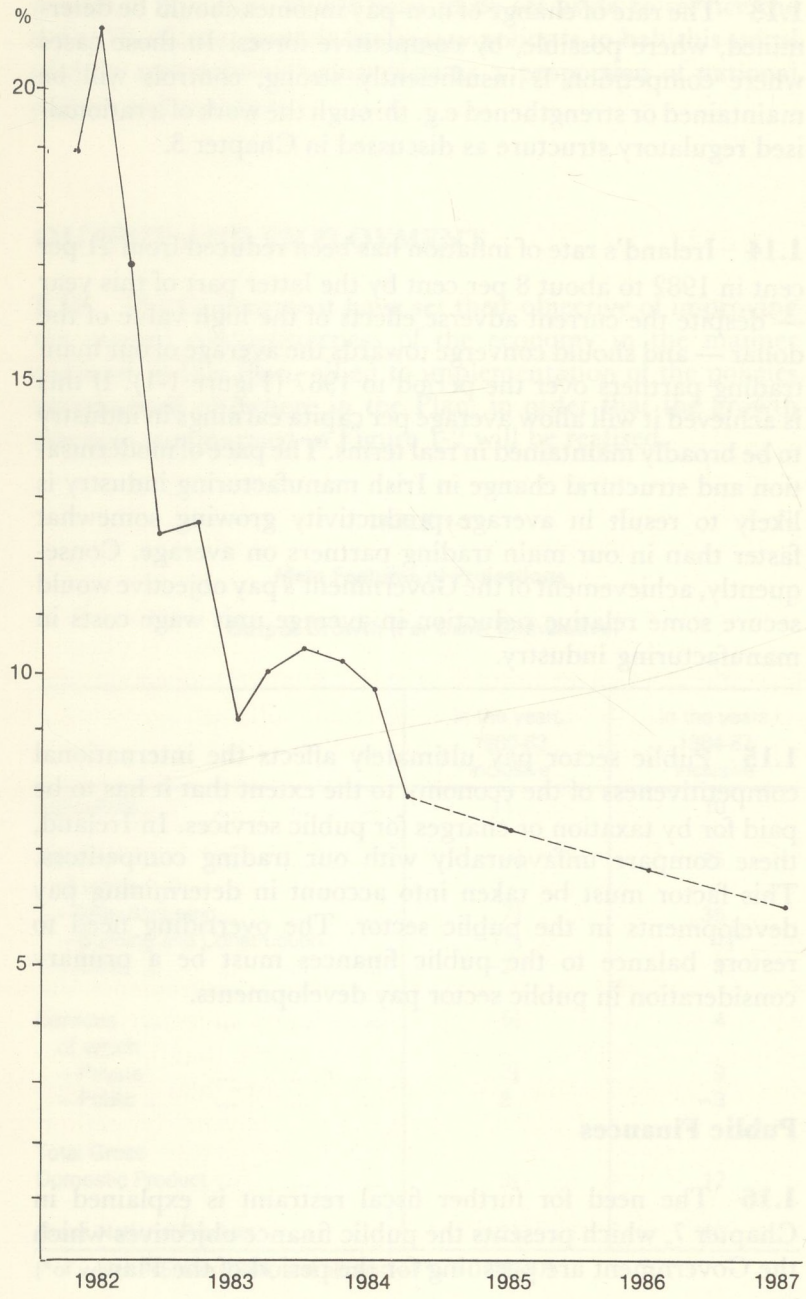
1.11 If Irish goods and services are to increase their share of domestic and overseas markets to the extent necessary to improve employment prospects, they must improve their international competitiveness. Cost competitiveness is an essential element of overall competitiveness. Achievement of the required improvement in Ireland's overall competitive position will be hindered by any adverse movements in Irish costs relative to those of our main trading partners. Since labour costs represent, for most sectors, a very significant domestic element of industrial costs, relative movements in pay rates will be a crucial determinant of Irish costs and, hence, of Ireland's overall competitive position.

1.12 The Government accept that the basis for determining conditions of pay and employment should be free collective bargaining. However, the Government will continue to lay down certain parameters which take account of the public interest, particularly national employment requirements. In this regard, the Government's agreed pay objective is, as recommended by the National Planning Board, that the appropriate objective for pay policy is that increases in average pay should not exceed the rate of increase in pay in competitor countries. Within this framework, however, the free collective bargaining system should continue to have regard to the ability to pay of individual firms and organisations and to the likely impact of pay settlements on employment. In particular, the

Figure 1-1

CONSUMER PRICE INFLATION 1982-87

(Per cent change over twelve months)



development of public service pay must take express account of the capacity of the public finances.

1.13 The rate of change of non-pay incomes should be determined, where possible, by competitive forces. In those cases where competition is insufficiently strong, controls will be maintained or strengthened e.g. through the work of a rationalised regulatory structure as discussed in Chapter 3.

1.14 Ireland's rate of inflation has been reduced from 21 per cent in 1982 to about 8 per cent by the latter part of this year — despite the current adverse effects of the high value of the dollar — and should converge towards the average of our main trading partners over the period to 1987 (Figure 1-1). If this is achieved it will allow average per capita earnings in industry to be broadly maintained in real terms. The pace of modernisation and structural change in Irish manufacturing industry is likely to result in average productivity growing somewhat faster than in our main trading partners on average. Consequently, achievement of the Government's pay objective would secure some relative reduction in average unit wage costs in manufacturing industry.

1.15 Public sector pay ultimately affects the international competitiveness of the economy to the extent that it has to be paid for by taxation or charges for public services. In Ireland, these compare unfavourably with our trading competitors. This factor must be taken into account in determining pay developments in the public sector. The overriding need to restore balance to the public finances must be a primary consideration in public sector pay developments.

Public Finances

1.16 The need for further fiscal restraint is explained in Chapter 7, which presents the public finance objectives which the Government are pursuing for the period of the Plan.

1.17 Borrowing to finance deficit spending has resulted in a continuing growth in National Debt, and especially foreign debt, as a percentage of national resources, as measured by GNP. If this growth were not halted, more and more of available resources would have to be set aside to service the debt. The Government's budgetary policy is to halt this spiral of debt and debt-servicing costs as a proportion of national output and taxation.

OUTPUT AND EMPLOYMENT

1.18 The Government have set their objective of improving the overall competitiveness of the economy in the manner outlined in this Plan, allied to implementation of the policies summarised elsewhere in the Plan, in order that the growth scenario summarised in Figure 1-2 will be realised.

TABLE 1-1

Main Features of Projections

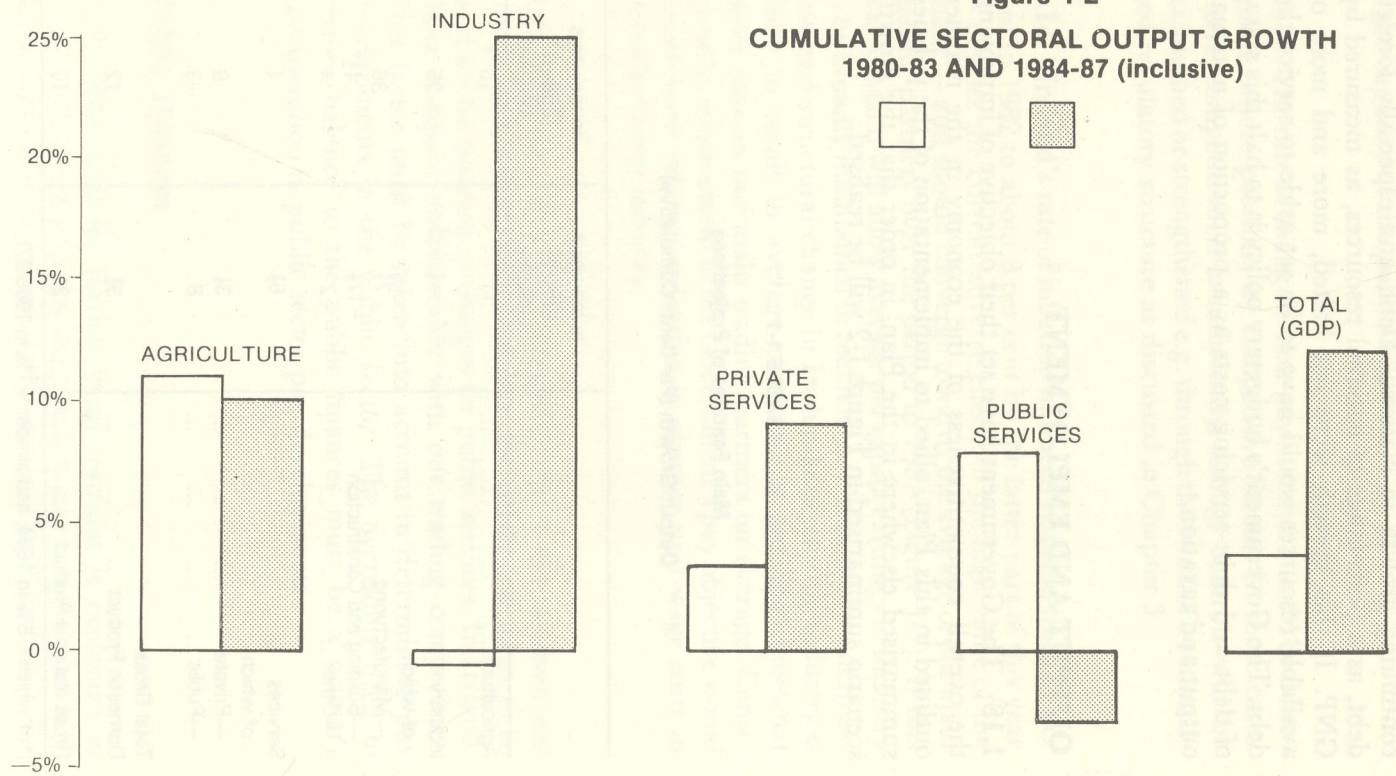
Output Growth (Per Cent: Cumulative)

	In the years 1980-83 inclusive	In the years 1984-87 inclusive
Agriculture	11	10
Industry	$-\frac{1}{2}$	25
of which		
—Manufacturing	$7\frac{1}{2}$	36
—Building and Construction	$-17\frac{1}{2}$	$1\frac{1}{2}$*
—Other	−2	4
Services	$5\frac{1}{2}$	4
of which		
—Private	$3\frac{1}{2}$	9
—Public	8	−3
Total Gross Domestic Product	$3\frac{3}{4}$	12
Gross National Product	$-2\frac{1}{4}$	10

(*of which −5% in 1984, and almost +7% in 1985-87).

Figure 1-2

CUMULATIVE SECTORAL OUTPUT GROWTH
1980-83 AND 1984-87 (inclusive)

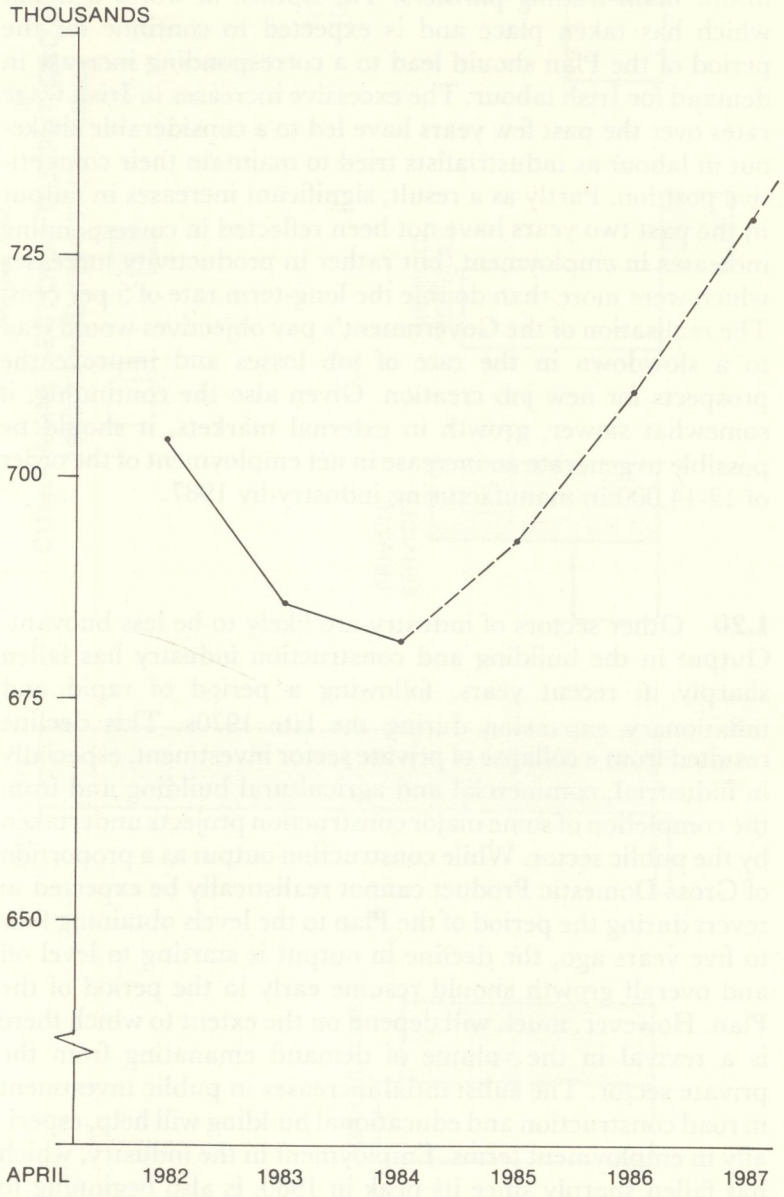


1.19 The fall in employment in manufacturing industry that has occurred over the past four years has been due principally to two factors: the depth of the international recession and excessive increases in costs, particularly labour costs, relative to our main trading partners. The upturn in world demand which has taken place and is expected to continue for the period of the Plan should lead to a corresponding increase in demand for Irish labour. The excessive increases in Irish wage rates over the past few years have led to a considerable shake-out in labour as industrialists tried to maintain their competitive position. Partly as a result, significant increases in output in the past two years have not been reflected in corresponding increases in employment, but rather in productivity increases which were more than double the long-term rate of 5 per cent. The realisation of the Government's pay objectives would lead to a slowdown in the rate of job losses and improve the prospects for new job creation. Given also the continuing, if somewhat slower, growth in external markets, it should be possible to generate an increase in net employment of the order of 12-14,000 in manufacturing industry by 1987.

1.20 Other sectors of industry are likely to be less buoyant. Output in the building and construction industry has fallen sharply in recent years, following a period of rapid and inflationary expansion during the late 1970s. This decline resulted from a collapse of private sector investment, especially in industrial, commercial and agricultural building and from the completion of some major construction projects undertaken by the public sector. While construction output as a proportion of Gross Domestic Product cannot realistically be expected to revert during the period of the Plan to the levels obtaining four to five years ago, the decline in output is starting to level off and overall growth should resume early in the period of the Plan. However, much will depend on the extent to which there is a revival in the volume of demand emanating from the private sector. The substantial increases in public investment in road construction and educational building will help, especially in employment terms. Employment in the industry, which has fallen sharply since its peak in 1980, is also beginning to stabilise and the new emphasis on the building and construction component of the Public Capital Programme and the

Figure 1-3

PRIVATE NON-AGRICULTURAL EMPLOYMENT* 1982-87



*Employment outside Agriculture and Public Sector Services; does not include effect of new special schemes.

housing measures described in Chapter 5 will help in this regard. The Government will, within the framework of the long-term development of the economy as a whole, carefully consider the recommendations being developed by the tripartite Sectoral Development Committee for the future development of the industry.

1.21 A recovery in consumer demand should support the steady expansion of private services which are expected to grow by about 9 per cent in the four years to 1987. The experience of other countries in regard to employment growth in private services is encouraging. Indeed, in Ireland, employment in this sector was remarkably buoyant during the recent recession; in the three recession years to mid-April, 1984, it is estimated that employment in private sector services grew on average by 6,000 per year. While some branches of private sector services have experienced labour-saving technological change, new types of services are continually emerging, many of them very labour intensive. Helped by the success of the Enterprise Allowance Scheme, employment in private sector services is projected to grow by over 30,000 by 1987.

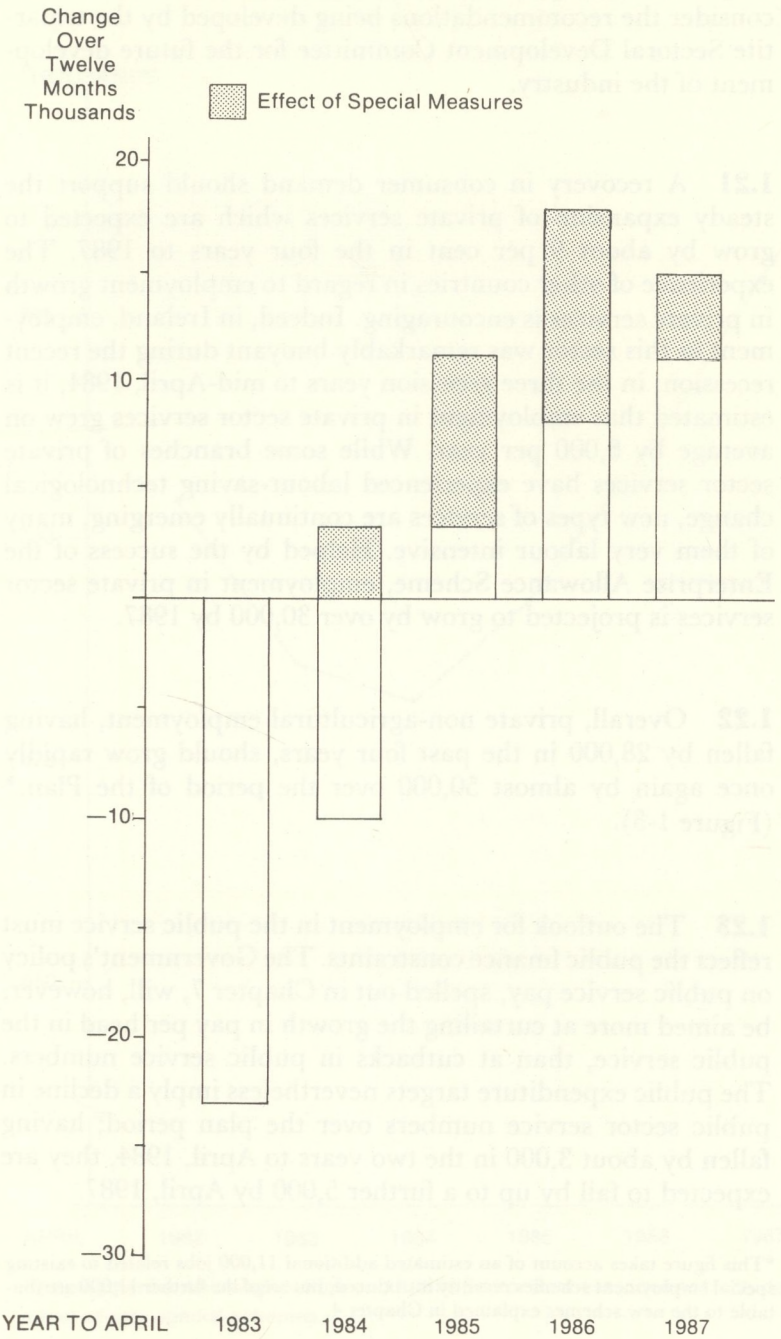
1.22 Overall, private non-agricultural employment, having fallen by 28,000 in the past four years, should grow rapidly once again by almost 50,000 over the period of the Plan.* (Figure 1-3).

1.23 The outlook for employment in the public service must reflect the public finance constraints. The Government's policy on public service pay, spelled out in Chapter 7, will, however, be aimed more at curtailing the growth in pay per head in the public service, than at cutbacks in public service numbers. The public expenditure targets nevertheless imply a decline in public sector service numbers over the plan period; having fallen by about 3,000 in the two years to April, 1984, they are expected to fall by up to a further 5,000 by April, 1987.

*This figure takes account of an estimated additional 11,000 jobs related to existing special employment schemes recently introduced, but *not* of the further 11,000 attributable to the new schemes explained in Chapter 4.

Figure 1-4

CHANGE IN EMPLOYMENT 1983-87



1.24 Net output in agriculture is expected to grow by 1½ to 2 per cent per annum on average over the three years 1985-87. Employment in agriculture continues to fall and is projected to decline by about 3,000 per annum.

1.25 In sum, the projections imply aggregate GNP volume growth of 10 per cent in the four-year period 1984-87. The net growth in employment should be about 33,000. In addition, the new schemes outlined in Chapter 4 would generate a further 11,000 jobs.

UNEMPLOYMENT

1.26 The underlying increase in the numbers out of work has slowed steadily since early 1983, judging from the Live Register data. However, the increase in the Live Register is the net difference between flows on and off it. These gross flows, which are considerable by comparison with the net changes, reveal a significant level of activity in the labour market. For example, during 1983 there were almost 206,000 movements on to the Register and 178,000 movements off it. In the first six months of 1984, the net increase of 7,000 in the Live Register was the result of over 106,000 inflows and over 99,000 outflows.

1.27 Over the three years to 1987, the evolution of unemployment will depend on the generation of jobs, the retention of existing viable employment, and on the growth in the numbers seeking jobs. Labour force growth is very sensitive, not only to the size of the working-age population — a magnitude significantly affected by migration flows — but also to the proportion of the working-age population which is actually participating in the labour market. Even if inward migration among older workers is on a very much reduced scale, by comparison with the experience of the 1970s, the growth in the working-age population could be substantial by reference to the prospective increase in employment.

1.28 Assuming labour force growth of 45,000 over the next three years, the employment projections outlined above and

summarised in Table 1-2, imply that unemployment (on the more relevant Labour Force Survey definition*) having increased from an estimated 209,000 at April, 1984, to a peak of around 220,000 by the end of 1984, would fall back to 210,000 or near its April, 1984, level. This will mean that between the end of this year and April 1987, employment creation will have absorbed the whole of the labour force increase and achieved a start to the reduction of unemployment. The Government are hopeful that if developments are more favourable than outlined above they could, by end 1987, achieve their aim of reducing the level of unemployment below 200,000.

*The Monthly Live Register data are used as an indicator of unemployment. The annual Labour Force Survey provides a better basis for determining numbers at work and those out of work, but is not available with the same frequency.

TABLE 1-2

Main Features of Projections

Employment and Unemployment

	April 1984	April 1987
Numbers at work in:	'000	'000
Agriculture	186	177
Industry	320	334
of which		
—Manufacturing	214	227
—Building and Construction	82	83
—Other	24	24
Services	606	623
of which		
—Private	358	380
—Public	248	243
Subtotal (not including effect of special schemes)	1,112	1,134
Add: Effect of schemes introduced 1983-84*	3	14
Effect of new schemes	0	11
*Unemployed***	209 (Dec.'84: 220)	210***
Labour Force	1,324	1,369

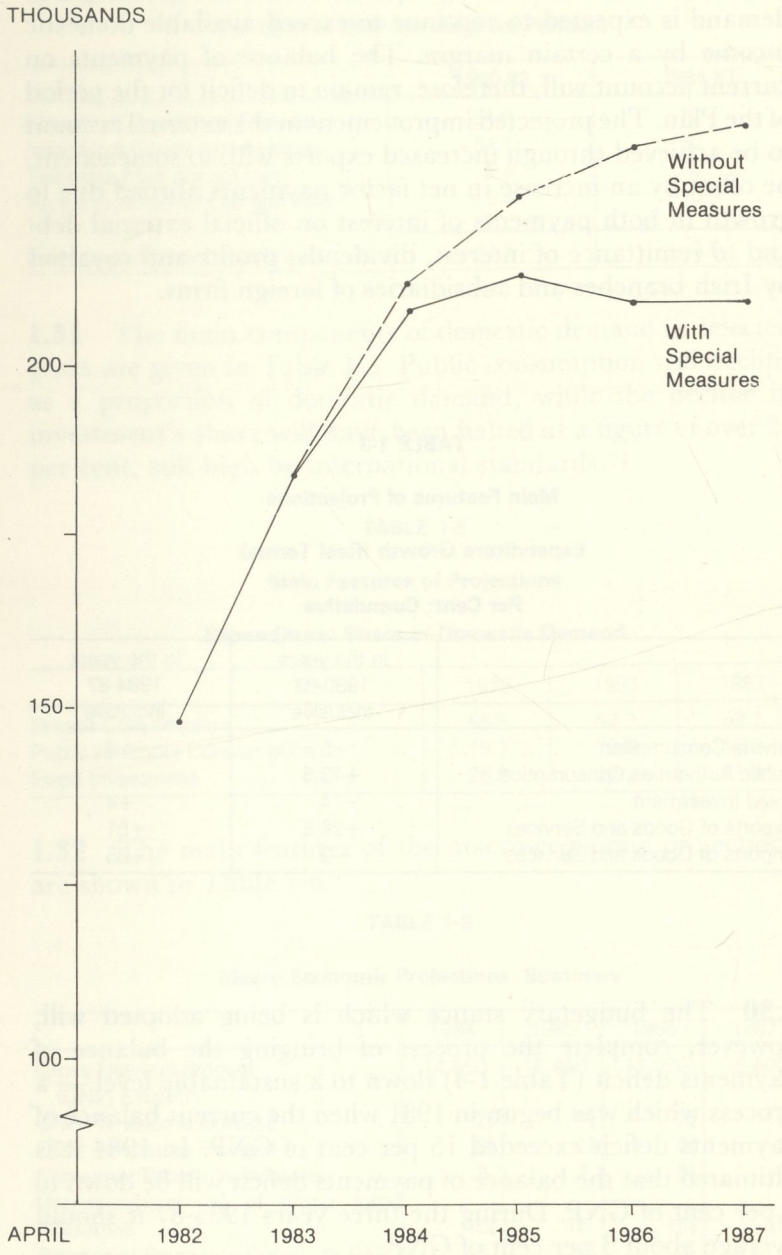
*Mainly Enterprise Allowance Scheme.

**Labour Force Survey basis

***Of which 7,500 in proposed "pre-retirement" category.

Figure 1-5

UNEMPLOYMENT 1982-87
(Labour Force Survey Basis)



EXPENDITURE AND THE BALANCE OF PAYMENTS

1.29 Growth in the components of expenditure is projected as shown in Table 1-3. Despite the relatively rapid growth projected for manufacturing exports, domestic expenditure or demand is expected to continue to exceed available domestic income by a certain margin. The balance of payments on current account will, therefore, remain in deficit for the period of the Plan. The projected improvement in the external account to be achieved through increased exports will, to some extent, be offset by an increase in net factor payments abroad due to growth in both payments of interest on official external debt and to remittance of interest, dividends, profits and royalties by Irish branches and subsidiaries of foreign firms.

TABLE 1-3

Main Features of Projections

Expenditure Growth (Real Terms)

Per Cent: Cumulative

	In the years 1980-83 inclusive	In the years 1984-87 inclusive
Private Consumption	−5	+6
Public Authorities Consumption	+13.5	—
Fixed Investment	−14	+4
Exports of Goods and Services	+26.5	+51
Imports of Goods and Services	−2	+35

1.30 The budgetary stance which is being adopted will, however, complete the process of bringing the balance of payments deficit (Table 1-4) down to a sustainable level — a process which was begun in 1981 when the current balance of payments deficit exceeded 15 per cent of GNP. In 1984 it is estimated that the balance of payments deficit will be down to 5 per cent of GNP. During the three years 1985-87 it should average about 3 per cent of GNP.

TABLE 1-4

Main Features of Projections

Balance of Payments

Per Cent of GNP (Average for Periods)

	1980-83	1984-87
Exports of Goods and Services	54.0	72
Imports of Goods and Services	−64.1	−70
Transfers from abroad (net) ...	5.4	5
Factor income from abroad (net)	−6.4	−10.5
Balance on Current Account ...	−11.1	−3.5

1.31 The main components of domestic demand in selected years are given in Table 1-5. Public consumption will decline as a proportion of domestic demand, while the decline in investment's share will have been halted at a figure of over 21 per cent, still high by international standards.

TABLE 1-5

Main Features of Projections

Expenditure: Share of Domestic Demand

	1979	1983	1987
Private Consumption	55.5	57.7	59.7
Public Authority Consumption	15.7	19.6	18.3
Fixed Investment	26.9	22.2	21.3

1.32 The main features of the macro-economic projections are shown in Table 1-6.

TABLE 1-6

Macro-Economic Projections: Summary

	1984	1985	1986	1987
Gross National Product ... ... (GNP) £ million	14,650	15,650	17,000	18,500
GNP: % volume increase	$2\frac{1}{2}$	$1\frac{1}{2}$	$2\frac{3}{4}$	3
GDP: % volume increase	$3\frac{1}{4}$	$2\frac{1}{4}$	$2\frac{3}{4}$	3
Consumer Prices: % increase ...	9	7	$6\frac{1}{2}$	6
Unemployment: % of labour force (Mid-April)	$15\frac{3}{4}$	16	$15\frac{1}{2}$	$15\frac{1}{4}$
Balance of Payments Deficit: % GNP	5	$3\frac{1}{2}$	3	3

Chapter 2

The Role of Policy

INTRODUCTION

2.1 The central economic and social priority in the period of the Plan is to tackle the unemployment crisis. Economic policies have been framed with the objective of securing the maximum growth in employment during the period to 1987 and of ensuring conditions that will allow a continuing sustained growth in employment in subsequent years.

THE EMPLOYMENT POTENTIAL OF THE ECONOMY

2.2 It would be wrong to draw too pessimistic a conclusion on unemployment from the difficult experience of the past few years. Since 1979 the economy has been adversely affected by an international recession of almost unprecedented depth and persistence. Furthermore, it was inevitable that, even under more favourable external conditions, the total number at work would fall back from an artificial peak that had briefly emerged as a result of unsustainable Government deficits at the end of the 1970s. This has compounded the deterioration of unemployment. While the combination of these factors has caused unemployment in Ireland to rise more rapidly than in some other industrial countries, it should also be noted that over the past decade a rise in unemployment has been a worldwide phenomenon not solely related to cyclical recession.

2.3 To move towards a situation in which everyone who wants a job in Ireland can get one is not a question of establishing numerical goals. It is not, as we have seen to our cost in the recent past, a question of the Government borrowing

money to pay the wages for jobs which will either vanish themselves or will, if taxation is ultimately raised to continue these payments, cause other jobs to be lost.

2.4 To achieve rapid employment growth in Ireland, we must establish the conditions under which Irish workers can effectively achieve their productive potential. This means, for example:

—encouraging a degree of initiative and managerial effectiveness within the economy, including the public sector, that can convert potential enterprise into actual jobs;

—securing better industrial relations. Confrontation rather than co-operation in production is a characteristic, not only of the Irish economy, but of many industrial countries, especially in Europe, and has been a contributory factor to the reduction in employment growth in Europe in recent years — in marked contrast, for example, to the United States; we must continue to explore ways of fostering genuine shared commitment to the development, and where possible the profitability, of firms and institutions.

—improving wage cost competitiveness. This is a perennial requirement if existing jobs are not to be lost through the destruction of our economic base as factories and workplaces close, particularly those which are labour-intensive, because they can no longer compete profitably in their markets. Likewise, Irish workers must keep and indeed improve their competitive edge in the continuing effort to attract foreign industry. Irish workers, nevertheless, rightly require adequate and fair remuneration, commensurate with their skills and experience. This requirement counter-balances any depression of pay *solely* to increase profits but it needs to be carefully balanced against the requirement of increased investment and ensuring that operations in Ireland are attractive and worthwhile from the viewpoint of the firm also;

—breaking down artificial barriers to productive work. Such barriers are often established in the mistaken belief that they will help the interests of workers. But restrictive

practices can only, in a modern society, damage the employment and the earning potential of working people as a whole. Greater flexibility by management and workers in responding to changed circumstances can lead to the creation of new employment.

2.5 To say that the economy cannot provide enough jobs would be to say that Irish workers cannot produce sufficient goods and services that are in demand at home or abroad. Such a defeatist attitude could be based only on the failures of the past and not on any *real* constraints facing the nation. It takes time to develop the productive framework required to meet the employment challenge, but it can be done, and the Government are playing their part in achieving such a transformation of the environment for production.

2.6 It is easy to draw a false dichotomy between the public and private sectors in regard to employment expansion. In terms of sustainable employment growth, the role of both sectors will be important. The over-expansion of certain public activities, which were temporarily financed by borrowing, has necessarily had to be reversed in recent years. But there is no reason why much of the future expansion in needed services should not be provided within public ownership.

2.7 Many of these services can and should pay for themselves if public enterprises can be organised in an efficient way. It is the Government's objective to achieve such efficiencies so that public employment is not seen as a drain on the economy and a burden on the taxpayer—a perception which has become more widespread in recent years.

THE GOVERNMENT'S TASK

2.8 The Government are taking action of four distinct kinds to meet the unemployment crisis.

2.9 First, the Government are determined to ensure that the environment created by their tax and incentive policies is conducive to the creation of employment in the private sector.

2.10 Second, legal and institutional rigidities hamper the achievement of employment and output growth. This is true in both the private and the public sector. The Government are taking steps (Chapter 3) to reduce such rigidities, to create a better basis for industrial relations, and to improve the efficiency of public provision of goods and services.

2.11 Third, the important role of the public sector in employment is recognised by the Government. The need to achieve greater efficiencies is being tackled so that the public sector may in the long run be a contributor to efficiency and employment in the economy at large. Specific initiatives are also outlined in Chapter 3.

2.12 Fourth, the Government are conscious that the last ten years have been traumatic for many people who have found jobs harder to come by and less secure when they are obtained. Two large groups which have emerged give particular cause for concern: the school leavers who, more and more, need a bridge from formal schooling to employment, and the growing number of long-term unemployed. This latter group has been augmented by an increasing number of older workers made redundant in recent years who find themselves unable to obtain alternative employment. As elaborated in Chapter 4 there has been a major expansion in support and employment programmes targeted at youth in the past couple of years and this is to be continued. The Government are launching a new programme to offer the long-term unemployed a chance.

THE ENVIRONMENT FOR GROWTH

General Policy on Tax, Incentives and Support Services

2.13 Government tax and incentive policies will be highly influential in determining the quality and pace of economic recovery and a sustained recovery in employment. Some parts of the tax and incentive structure already in place have been

designed over the years to achieve economic growth, but other parts have evolved for a variety of extraneous reasons, many of which are not now relevant.

2.14 In the final analysis, the success of any economic policy can be judged only by its impact on economic activity within the State, account being taken of the extent to which benefits are captured through numbers employed, levels of income, taxes and profits. That is why it is important to take account of value-added elsewhere in the economy in judging policies adopted in a specific sector, such as industry. This view underlies the strategy spelled out in the White Paper *Industrial Policy*.

2.15 The value-added deriving from a new industrial undertaking is measured not only by the incomes generated directly — wages, salaries and, to the extent that they are retained in the country, profits. Also included are any expansion of incomes in sub-supply sectors — whether manufacturing or services — which can be attributed to the industrial undertaking and any increase in the realised value of natural resources.

2.16 This benefit is gained not only by those who work in in industry, since the expansion of value-added in the internationally traded sector eases the balance of payments constraint on economic expansion in other sectors.

2.17 The new orientation for industry and other activities announced in the White Paper, will ensure a careful assessment of each project as to its likely contribution to value-added in the economy as a whole and to its sustainability.

2.18 In many cases a major part of value-added will be labour incomes. The value-added policy is, therefore, a policy for high employment and jobs that can offer high incomes.

2.19 A smaller, though potentially important, part of retained value-added will be profits of Irish residents particularly

from the development of sub-supply industries and the enhanced value of natural resources. Profits have an important signalling role in encouraging domestic entrepreneurial activity.

2.20 The recent publication of the White Paper *Industrial Policy* indicates the new thrust of Government policy in regard to industry. The main features of the approach together with that for the other key wealth-creating areas — Agriculture and Tourism — are summarised below.

The New Industrial Policy

2.21 Despite the successes of the industrial policies pursued in past years, policies must be constantly reviewed and changed in the light of circumstances in international markets and at home. For these reasons, and the belief that a framework for the State's role should be clearly set out, the Government published the White Paper *Industrial Policy* in July of this year. The White Paper established employment growth in industry and the maximisation of value-added as the primary objectives of industrial policy.

2.22 The strategy in the White Paper builds on the policies already in place, and shows where changes will take place. Change is necessary because the environment facing Irish industry until the end of this century is likely to be very different from that of past years. Industry will have to succeed in an era of a more highly competitive international environment with relatively slow growth rates, rapid technological change, and intensified competition for a declining pool of mobile investment. Studies of Irish industry (including the NESC and Telesis reports) showed that many Irish firms are poorly prepared for this situation. A lack of attention among indigenous firms to marketing, especially for export, and a failure to achieve significant linkage with foreign industry located here are compounded by weak management, low priority to new product development and inappropriate financial structures.

2.23 The Government's industrial policy set out in the White Paper, aims at a more selective application of State aid including a shift in resources to marketing and technology acquisition; exploitation of the potential for linkages; the greater achievement of high skill employment; more rapid development of natural resource based industries; and increased private investment in industry.

2.24 In accordance with the recommendations of the National Planning Board, State incentives will be applied more selectively to ensure that they support the key aspects of a strong and growing industrial base. In future, grants will be given only to firms which meet one or more of the following conditions: the production of advanced technology products for sale to internationally-trading companies or other skilled sub-supply companies; the achievement of significant import substitution; the production of goods and services for sale primarily on overseas markets.

2.25 Strong firms will develop in Ireland only if they meet the needs of the market place. For this reason State assistance will, in the future, be diverted away from fixed asset investment and towards support for export marketing and the acquisition of technology from abroad.

2.26 As recommended by the National Planning Board, policy will be redirected towards securing sourcing by foreign industries of their sub-supply needs in Ireland. A national linkage programme has already been launched by the IDA. This will concentrate initially on electronics which is the fastest-growing sector of Irish industry.

2.27 Support will also be directed towards more highly skilled jobs and towards keeping Irish firms abreast of the most up-to-date technologies. In addition to this being a general consideration by State agencies supporting industry, a new category of grant is being introduced to help firms in Ireland to upgrade their technology through licences acquired

abroad. The skill base will also be developed by forging closer links between the universities and industry.

2.28 A more rapid development of industries based on natural resources will involve an emphasis on a market-led strategy which integrates the production, process and marketing segments of these industries.

2.29 The financial base of Irish industry must be strengthened. Improved access to venture capital will play an important part in achieving this. The National Development Corporation will have a role to play in making equity investments in industrial companies. Similarly, private equity investment in industry has been encouraged by personal tax concessions introduced in the Finance Act, 1984.

2.30 *Implementation:* The strategy outlined in the White Paper is being implemented without delay. The institutional and other changes which do not require new legislation are already being put into effect. The legislation necessary to give force to the new criteria for grant aid is being drafted and will be brought before the Oireachtas in the near future. Similarly, the legislation setting up the National Development Corporation will be presented shortly. Even before the legislation on the NDC is enacted the National Enterprise Agency will, as part of its work, seek to identify opportunities appropriate for investment by the NDC.

2.31 The strategy requires closer integration of industrial policy instruments and the more systematic monitoring of the effectiveness of policies. The first meeting of the Management Committee on Industrial Policy, representative of the Departments of Industry, Trade, Commerce and Tourism and Finance and the Chief Executives of the main industrial development agencies has already taken place. This Committee has already made progress in ensuring that "the one stop shop" concept for regional industrial development offices will become fact. Any remaining areas of duplication between the work of the agencies are to be quickly identified and removed,

and where necessary the activities of certain bodies are to be rationalised.

2.32 The new strategy also requires a strengthening of the role of the Department of Industry, Trade, Commerce and Tourism in the formulation and the evaluation of industrial policy. The Department is now, with the assistance of the Management Committee, drawing up a programme for monitoring the implementation of the White Paper strategy. The necessary strengthening of the policy evaluation function of the Department is also being undertaken. This will make it possible for the Department to take the leading role in the programme of continuous evaluation and to prepare the comprehensive review of the effectiveness of industrial development policies which is to be published in 1986.

Sectoral Development Committee

2.33 While it is of crucial importance to encourage expansion of new job opportunities, we cannot afford in present circumstances to neglect the existing industrial base, or to ignore its vulnerability to competition and to a changing market environment. The Sectoral Development Committee, with tripartite representation, has carried out, through the Sectoral Consultative Committees for each sector, detailed assessments of prospects and measures for survival, recovery and growth in the existing industrial base. Many detailed recommendations have been made, referring to the industrial firms themselves, to the State agencies and also to Government. While Government cannot commit themselves yet to some of the recommendations, particularly those with significant budgetary implications, the bulk of the recommendations are being incorporated into Government policy.

2.34 The Government see the work of the Sectoral Development Committee as a valuable co-operative exercise of significance in securing the retention of the maximum number of existing industrial jobs which can be sustained into the future and drawing on the knowledge of worker representatives, employers and the Government sector in developing agreed strategies along which the different sectors of industry can be

developed in future years. A summary list of these recommendations is being published with this Plan. (Appendix A).

2.35 The success of industrial policy will depend on the wider success of the objectives of this Plan. Success would allow a reduction in the present high burden of taxation and the achievement of a more cost competitive environment for industry. It would also allow domestic inflation to be brought down to equivalent if not lower levels than that of our main competitors. There is also a need for changes in many other areas. In industrial relations there must be an acceptance of the work practices appropriate to rapidly changing technology. The links between the universities and industry must be developed to the mutual benefit of both sectors. The need to increase private investment in industry underlines the importance of the role played by the financial institutions in industrial development. In setting out their industrial development strategy the Government have outlined a clear framework for investment. They will be looking to the banks and other financial institutions to come forward with new and innovative ways of meeting the financing needs of the type of firms on which future industrial development will depend.

PROSPECT AND POLICY FOR AGRICULTURE

2.36 Given the importance of agriculture to the Irish economy in terms of product, trade and employment, significant national growth will be much more difficult to achieve if there is not sustained growth in this sector. The Government consider that for expansion in agriculture to take place the first priority of policy must be to achieve stability in the national economic environment and, in particular, to reduce the levels of inflation and interest rates.

2.37 The impact of the recent changes in the Common

Agricultural Policy will call for a significant degree of adjustment for Irish agriculture. The adoption of the milk superlevy combined with likely restrictive price policies and a wider application of guarantee thresholds, emphasise the need for greater efficiency in the industry to ensure that its competitiveness is improved and farm profitability is maximised. It will require a carefully planned approach by ACOT, in consultation with the other State agencies involved, to operate an adjustment strategy for farm development providing guidelines for farmers on how best to cope with the changed circumstances. It will also require advice and guidance for farmers on the adaptations needed to ensure maximum profitability from existing resources and assistance for them in assessing the prospects for alternative or supplementary farm enterprises having regard to economic, demographic and regional circumstances.

2.38 In the past the distinction between measures to achieve or improve commercial operation at farm level and those aimed, for social policy reasons, at supporting low-income farmers with little prospect of achieving fully commercial status, was not always clear. The result has been that the measures adopted have not been fully effective in meeting the needs of either commercial or potentially commercial farmers or those in need of income support. In future the Government intend to ensure that the distinction between both types of measures is made more clear.

2.39 The change in policy at EEC level will obviously affect the output pattern of Irish agriculture and require certain adjustments. Spare capacity resulting from the application of the superlevy must be used for other enterprises. The main emphasis on increasing production will be in the cattle and beef sectors. In order to encourage the neccessary growth in the beef cow herd, the Government have decided, subject to EEC clearance, to raise the level of grant-aid under the Disadvantaged Areas Scheme from £32 to £70 per beef cow in 1986. Sheep and tillage crop production will also offer good prospects for expansion. Additional capital funding will be allocated over the period of the Plan for land drainage purposes in western areas. For individual farming families with initiative

there are prospects in certain new lines of production e.g. in home-produced cheeses, high protein animal feed crops, and horticulture produce. There are also opportunities to be exploited by the farming community in the general leisure and tourism sectors.

2.40 Despite the national and international difficulties, prospects for Irish agricultural trade remain promising. Producers, processors and those engaged in marketing must, however, take account of the changing and more sophisticated demands of the market for food products. If we are to secure remunerative outlets we must diversify our production with greater emphasis on value-added products, improve our competitiveness and co-ordinate our efforts towards better quality standards and supply dependability. We must also use the opportunity in the home market for import substitution which itself can provide a base for further expansion into exports.

2.41 In planning the future development of the agricultural sector, the advisory services, whether private, co-operative or State-supported have a key role to play. The role of ACOT is particularly important, first, in identifying farmers who have the capacity to develop and, second, in encouraging the necessary technical and management adaptations on the basis of individual farm assessments of production patterns, standards of efficiency and potential. The Government believe that efforts to accelerate growth in agricultural output must concentrate on that segment of the farming population which has real development potential. ACOT is, therefore, being asked to concentrate its advisory services on those farmers who have the resources and motivation to achieve such development. The re-organisation and restructuring of the advisory services, with a new emphasis on client/enterprise advisers organised on a local district basis, will provide the best framework within which assistance can be provided to those with the greatest potential.

2.42 Suggestions made in the Report of the Working Group

on the Four Year Plan for Agriculture for improving the efficiency of the advisory services will be put into effect. These will enable advisers to concentrate on their primary function of working closely with individual farmers to secure increased and profitable output. Closer links between ACOT, the co-operatives and agriculture-based industry generally will be developed so that more effective programmes can be established to increase agricultural output. A review of the role and functions of ACOT and the Farm Development Service will also be undertaken to achieve the most effective use of the manpower available. Farmers who can afford to pay for an advisory service which is tailored to their individual needs will be required to make an appropriate payment for the service.

2.43 The comparatively low level of training among Irish farmers has been a constraint on the development of a progressive agricultural sector. An adequately trained farm labour force is essential for further development. In order to concentrate educational resources on those who need and will use them, the Government will give priority to satisfying the educational needs of new entrants to farming and of farmers planning profitable business developments. The recently established Certificate in Farming (the Green Cert) is a step in this direction. The Government accept that the Certificate should be progressively recognised as a requirement for State development aid.

2.44 With the progressive raising of the educational and training qualifications of the farming sector, the capacity of farmers to absorb new technology will increase. Both ACOT and AFT have important roles in helping farmers to increase productivity through the adoption of cost-effective new technology. However, because of the growing cost to the Exchequer of maintaining both bodies it is imperative to ensure that the services provided by both organisations are fully co-ordinated and that their resources are used effectively in helping the agriculture industry to expand.

2.45 The system of investment aids operated by the Department of Agriculture has been a major influence on the development of many farms which have attained high levels of effici-

ency. However, the Government endorse the view of the Working Group on the Four Year Plan for Agriculture and the National Planning Board that, if State resources are to be used efficiently, investment programmes must be carefully planned and appraised and their success measured by the level of profitability returned. With a view to ensuring a closer appraisal of farm investment in the future, standard criteria are being drawn up to enable advisers to carry out a full economic evaluation of all farm investment programmes.

2.46 The EEC Directives under which capital aid schemes operate are due to lapse shortly and new Commission proposals are currently being considered by the Council of Ministers. It is likely that the new Directives will involve significant changes from the existing Farm Modernisation Scheme but that a certain flexibility will remain for national authorities in formulating the new schemes. The Government, therefore, consider this an opportune time to undertake a full-scale review of investment aids and other structural policies. In undertaking this review, full account will be taken of the proposals made by the Working Group on the Four Year Plan for Agriculture and by the National Planning Board.

2.47 The degree to which Irish land is under-used is one of the most fundamental problems of Irish agriculture. Farm size, land quality, the advanced age of some farmers, family circumstances, and the low average level of education in the older age group, are all constraints on development. These problems are compounded by a rigid land-ownership structure under which only about 3 per cent of land changes hands each year, most of it by inheritance. In these circumstances Government policy is to ensure, as far as practicable, that either the ownership or the management of our agricultural land is in the hands of those best fitted to work it. A complementary aim is to improve the physical structure of agricultural holdings. The Government will achieve these aims primarily by measures designed to increase the rate of land mobility.

2.48 The promotion of medium and long-term leasing of

farm land will be a central feature of land policy. The promotion of leasing will focus both on those lands — at present about 8 per cent of the total — which are now set on the eleven months system and on lands which are currently neglected or seriously under-used. Enactment of the Bill now before the Oireachtas will remove certain legal constraints on leasing. The Government will consider whether changes in taxation arrangements should be made to facilitate further the leasing of land.

2.49 Despite the relatively high cost to the Exchequer, the Farm Retirement Scheme, operated under a 1972 EEC Directive, has not been successful in encouraging large numbers of elderly farmers to retire. A major factor in the Scheme's failure has been the fear that the benefits obtained under it would be more than counterbalanced by losses of other State benefits such as the Old Age Pension. There is evidence that a feeling of insecurity about future income is a factor in the decisions of some elderly farmers to retain ownership of their farms. This problem will be addressed in the national pension plan framework which the Government intend to publish.

2.50 Changes in the taxation and social welfare codes suggested by the Working Group on the Four Year Plan and by the National Planning Board to encourage land mobility are being examined.

2.51 The final clearance of bovine TB from the national herd remains one of the most urgent problems facing agriculture. It is evident that despite substantial cost to the Exchequer, little progress towards complete eradication has been achieved over the last few years. Faced with a situation where it is essential to get rid of the disease in order to safeguard our exports of livestock and livestock products, the Government must be satisfied that funds committed to the eradication programme in future are spent effectively. Since the present arrangements for tackling the disease have not proved effective, the Government believe that there must be radical changes in those arrangements. Subject to the introduction of these

changes, details of which are set out in Chapter 7, substantial additional funding is being set aside for disease eradication, including new special assistance for herd depopulation. There will also be an increase in the bovine disease eradication levy for one year from November 1984 to yield an additional £7 million in 1985.

FOOD INDUSTRY

2.52 There is considerable potential for the further development of the food industry in Ireland. The development of the industry confers particular benefits in terms of creating added-value together with direct and indirect employment in Ireland because of the relatively low import content of production in the industry. The White Paper *Industrial Policy* has indicated the high priority given by Government to the development of the food industry and the measures being initiated for this purpose in the areas of distribution, supply contracts, production and promotion. The Ministers of State at the Departments of Foreign Affairs (Chairman), Industry, Trade, Commerce and Tourism, Agriculture and Fisheries and Forestry have been examining how the State support services for the industry can be streamlined and made more effective. Arising out of their initial evaluations, the facilities of BIM and CTT are being rationalised to provide better support services for the export of fish and fish products and similar initiatives are being taken in other areas. The Group are paying particular attention to ensuring that State services support the improved orientation of the industry towards the needs of the market-place.

2.53 To help the Ministerial working group a consultant with relevant international marketing experience is being appointed to help devise measures aimed at:

—securing the better synchronisation between food industry supplies and market needs;

—overcoming, to the extent possible, the problems of seasonality of production at primary producer level (especially in the beef and dairying sectors);

—the introduction of long-term supply contracts between primary producers and processors to facilitate better production and marketing planning and to help further to overcome the problems caused by seasonality of supply from primary producers.

The National Development Corporation will also seek to support the development of long-term supply contracts between primary producers and processors in the food industry.

2.54 In the past, the food processing industry has concentrated largely on producing commodity-type products. Government strategy for the food industry will in future be directed at encouraging the sector to seek out and exploit opportunities for the production of consumer-type products especially for export. Development in this direction will make the industry less vulnerable to changes in EEC policies and will at the same time help maximise employment in the industry. In the consideration of applications for industrial grants, therefore, priority will, in future, be given to products involving secondary processing and/or import substitution. In addition, because of the key importance of proper marketing of food products, the appraisal of investment proposals put forward for State aid by manufacturers will include an assessment of their marketing arrangements and aid to investment will be conditional on those arrangements being adequate.

FISHING INDUSTRY

2.55 The opportunities that exist in the fishing industry are recognised by the Government as are the difficulties being experienced in the industry at the present time. The future development of the industry is being examined in the context of the report of the Sectoral Development Committee on the Fishing and Aquaculture Industry (summary recommendations at Appendix A) and a policy White Paper on the development of the industry will be issued at an early date.

THE ROLE OF TOURISM POLICY

2.56 Tourism policy has in the past been criticised for not having clear objectives. Concern has also been expressed in

regard to the lack of effectiveness of institutional arrangements. Following a detailed review of tourism policy, clear objectives have been established which emphasise the need to achieve an acceptable economic rate of return on the resources employed in the promotion and development of tourism. In pursuit of this objective a more selective approach to resource allocation has already been implemented. Steps have also been taken to rationalise institutional arrangements at regional level in order to maximise their effectiveness.

2.57 The tourism industry has the potential to make a significant contribution to economic, social and regional development in the 1980s. The prospects for 1984 are for an increase in revenue of around 5 per cent in real terms. The current strengthening of tourism world-wide provides a major opportunity for the Irish tourist industry. Recent estimates suggest that European tourism will grow at a rate of at least 5 per cent per annum over the 1980s. A well structured and competitively marketed Irish tourist industry can expand at a rate above this average, given a favourable domestic environment. A number of factors will determine the success of the industry in achieving growth rates of this order:

COST COMPETITIVENESS: A reduction of inflation rates towards the average of the rates in countries with whom we are in competition for international tourism would provide a major boost to competitiveness.

GREATER EFFICIENCY: There is a need for increased productivity and efficiency in the industry. The tourism product must meet the high standards expected by international tourists, for example, in regard to the type and quality of accommodation provided.

EFFECTIVE PROMOTION: Expenditure on promotion has a strong positive correlation with export tourism revenue and, given the opportunities which will exist for increasing tourism traffic to Ireland, both from having a more competitive tourism package to sell and from the projected high growth in European tourism in the 1980s, an increased level of promotion, with a larger share borne

by the private sector, should reap substantial dividends in terms of foreign earnings.

ACCESS TRANSPORT: We must ensure that our transport costs do not price us out of the tourism market and that the facilities at our major air and sea ports match the best international standards.

QUALITY OF PHYSICAL ENVIRONMENT: It is essential in seeking to increase our share of international tourism that the quality of the physical environment in both urban and rural areas is protected and enhanced.

2.58 Access transport is of considerable importance to tourism. The development plans for Dun Laoghaire Harbour are being expedited as are the port improvement works at Rosslare. A new Harbour Authority is to be established to operate Rosslare Port.

2.59 The Government are concerned that our alcohol licensing arrangements are an impediment to the full development of the tourist trade. They have decided that special provision should be made for the granting of full liquor licences to restaurants of an acceptable standard. There will be an extension of opening hours in the summer months, and a reduction in the excise duty on spirits.

Chapter 3

Making the Economy More Efficient

INTRODUCTION

3.1 The achievement of the economic and social objectives of this Plan will require institutional change. Many of our existing institutions and arrangements were designed for different tasks and circumstances from those now obtaining and have been adapted with varying degrees of success to current needs.

3.2 This chapter outlines a number of specific initiatives which are being undertaken to improve the effectiveness of the economic system. The initiatives fall under three headings:

First, measures which apply to the private sector, or to the economy as a whole;

Second, measures relating to roads, transport, energy and the commercial State sector;

Third, reform of the public service and of local authority structures.

INSTITUTIONAL REFORM IN THE ECONOMY AT LARGE

3.3 The Government are taking steps to achieve improvements in industrial relations. By encouraging profit sharing,

they hope to promote a more favourable atmosphere for investment and growth and by tightening up on control of restrictive practices in the services sector and on company law, they are creating the conditions necessary for a more effective economic structure. The Government's position on these matters is set out below. Further initiatives may be expected during the period of the Plan.

Industrial Relations

3.4 Good industrial relations between management and employees are of critical importance in terms of maximising production and jobs. Industrial harmony is also a key feature in attracting foreign investment. Since the achievement of a climate of co-operation is clearly within our own competence, no effort must be spared to ensure that our industrial relations institutions and procedures are the best possible.

3.5 The Minister for Labour has published a discussion document on industrial relations reform and, on the basis of that document, discussions are now in progress with both the Federated Union of Employers and the Irish Congress of Trade Unions. The discussion document covers existing institutional arrangements for resolving disputes, industrial relations practices and procedures, the possibility of developing codes of practice and the structure of trade union and employer organisations.

3.6 Work is at present proceeding on a set of proposals which will be placed before both sides shortly. The aim is to achieve the maximum possible degree of consensus on proposals for reform by the end of 1984 through further discussions. It is the Minister's intention to put proposals for reform before the Government in early 1985.

3.7 In line with the moves to reform industrial relations, the Government are conscious of the need for change in attitudes and approaches in a rapidly changing economic environment.

The main responsibility for the development of a commitment to change among a workforce lies with the management of individual enterprises. Resistance to change among workers reflects, in part, a lack of understanding of the need for change or lack of trust in the motives for change. The quality of management is a key factor in determining the future success of enterprises. It will also be a key consideration in the identification of and support for companies under the Company Development Approach outlined in the White Paper *Industrial Policy*.

3.8 The Government will introduce new company legislation to deal with malpractices in the management and direction of companies. Legislation to give effect to the Fourth EEC Directive on Company Law is also being prepared and will be put before the Dáil as soon as possible. This Directive is aimed at harmonising the rules of member States concerning the content and publication of the annual accounts of public and private limited companies. The Directive has important implications for Ireland, both in terms of the increased level of disclosure which it requires in accounts and particularly because, for the first time, private limited companies in general will be required to publish their accounts.

Profit Sharing and Worker Shareholding

3.9 The economic strategy outlined in previous chapters requires moderation in the growth of earnings with a view to making possible improvements in competitiveness and increased investment. Increased investment will require a general improvement on recent levels of profitability in the economy in order to make new investments worthwhile and also to provide funds for these investments. Higher profits will require trust that current pay moderation is, in fact, an investment in future incomes and employment. Employees will, reasonably, seek assurances that they will share in these benefits. In many cases wages are the only return employees get from industry. They therefore, understandably, try to maximise and guarantee their wages.

3.10 In the process, they may undermine their own long-term job security. If, through profit sharing or employee shareholding, employees share in profits, or own part of their company, they have a strong incentive to take a more enlightened attitude to industrial change. By having a stake in the business in which they work, employees have a greater incentive to promote increased efficiency and profitability in their companies.

3.11 An important initiative to promote increased worker shareholding in companies was taken in the Finance Act, 1982. Under certain conditions, provision was made for up to £1,000 in any one year to be distributed, tax free, to an employee in the form of shares. Under the Finance Act, 1984, there is now *no* limit on the amount of a company's profits which may qualify for tax relief by being distributed to employees in the form of shares. In addition, the value of shares which an employee may receive tax free in any one year has been increased to £5,000. The initial response to the scheme is slow, most likely reflecting the novel nature of the approach in this country and the start-up problems involved in introducing a complex scheme of this nature.

3.12 A further recent innovation has been the provision for worker shareholding through the new scheme of tax relief for long-term investment in companies which was introduced in the 1984 Finance Act. This supplements the continuing tax relief for interest on loans taken out by individuals to purchase shares in the company they work for.

3.13 Clearly, the spread of more information, education and discussion on profit sharing and worker shareholding are essential to the successful development of this concept in Ireland. The Irish Productivity Centre has been charged with the task of promoting such information. Employees must be able to have complete trust in the information supplied to them as shareholders.

3.14 A major study on profit sharing/worker shareholding

is being undertaken by the recently reconstituted NESC. The Government, for their part, have a strong commitment to developing profit sharing and worker shareholding, which they consider an effective step to ensure the success and efficiency of Irish industry and the prosperity and security of Irish workers for the future.

Efficiency in the Services Sector

3.15 An increasing share of the workforce and of national output is accounted for by the services sector. The percentage of the workforce employed in services rose from 35 per cent in 1947 to 42 per cent in 1968 and 54 per cent in 1983. Over the last decade, significant factors in this increase have been the rapid growth in the numbers in the public sector, in the professions and in the financial system. There has also been a trend towards greater buying-in of services by industry, thus leading to jobs in the services sector which have displaced jobs that were previously in industry. This has strengthened the interdependence of the two sectors and, in particular, the potential impact of the services sector on the competitiveness of industry.

3.16 While the expansion of the internationally-traded sector of the economy will be the most immediate factor in determining overall growth in output and employment, the success of the traded sectors and the capturing of ensuing benefits for the domestic economy will depend on the efficiency of the non-traded sectors.

3.17 Most of the non-traded sectors are accounted for by the services sectors, and over 40 per cent of all services employment is in the public sector. A central theme of this Plan is the strategy for control of the public sector by reducing the burden on the economy resulting from subsidisation of certain State agencies. With regard to private services, the Government believe that competition is the best way to prevent inefficiency and excessive prices.

3.18 The main instruments at present for the supervision and the promotion of competition in the services sector are the Examiner of Restrictive Practices and the Restrictive Practices Commission. Both the Examiner and the Commission have become increasingly active across the services area. The Commission has recently completed reports on conveyancing and advertising by solicitors and on the provision of tour operator and travel agency services. The Commission is also undertaking a general enquiry into professional costs; this study will be an extensive one, covering matters such as barriers to entrance, prohibitions on provision of services by non-members, restrictions on advertising and concerted fixing of fees and charges.

3.19 The Restrictive Practices Commission is also undertaking an enquiry into the policies of building societies in regard to insurance of mortgaged properties (societies generally operate a restricted panel of insurers) and valuers and surveyors reports which are not usually made available to house purchasers. Appropriate action will be taken to implement the Commission's recommendations in these areas.

3.20 It is apparent, however, that the current instruments of competition policy and, in particular, as recommended by the National Planning Board, the role of the Restrictive Practices Commission could be improved. The Commission is constrained from operating more effectively by the wide range of areas exempted under the current legislation and the present institutional arrangements.

3.21 The Government will strengthen competition policy through a restructuring of the current institutional arrangements, and by means of new legislation to amend the Restrictive Practices Act, 1972.

3.22 The offices and functions of the Examiner of Restrictive Practices and of the Restrictive Practices Commission will be amalgamated and new legislation will remove various

exemptions from the coverage of Restrictive Practices legislation. The Government will also consider the overall effectiveness of the work of the Commission, the National Prices Commission and the Office of the Director of Consumer Affairs in the promotion of greater competition and efficiency in the economy. The Minister for Industry, Trade, Commerce and Tourism is to consider this issue in detail, and will make proposals at an early date which will include consideration of the rationalisation of these bodies into one agency.

ROADS, TRANSPORT, ENERGY AND THE COMMERCIAL STATE SECTOR

3.23 The Government have decided on significant policy measures with regard to roads, transport (mainly related to CIE), energy and State forestry. The Government accept the National Planning Board's view that the contribution of State-sponsored commercial bodies generally should be made with greater efficiency and they expect a major contribution from the National Development Corporation to profitable public enterprise.

Roads

3.24 The importance of the public road network can be gauged from the fact that it conveys about 96 per cent of all inland passenger transport and some 90 per cent of inland freight transport. Rail accounts for virtually all of the balance. Vehicle numbers have trebled between 1960 and 1980 and are expected to double again by the beginnng of the next century. There is a growing tendency towards the use of heavier vehicles which in the over 8 tons unladen weight class have increased fifteen-fold since the early 1960s; this growth reflects the increasing participation of Irish hauliers in international trade.

3.25 In the 1960s and 1970s, there was serious underinvestment in road construction and maintenance. In 1979, the Road Development Plan for the 1980s was published. While capital

investment in road improvement works has increased substantially in real terms since 1979, it has fallen short of the objectives set out in the Plan by about 21 per cent. In addition, expenditure by local authorities on road improvements and maintenance financed from their own resources decreased in real terms by 13 per cent on average between 1979 and 1983.

3.26 The Report of the National Planning Board supported the view that priority should be given to investment in the road improvement projects identified in the 1979 Plan. The Board also took the view that a much higher level of investment in road improvements than is at present being undertaken could be justified using public sector investment appraisal techniques.

3.27 The Road Plan has recently been reviewed and a programme of road improvements has been prepared which will serve as a planning framework within which to operate over the next ten years. This centrally co-ordinated programme aims to develop the national road network to a level which would adequately serve present and prospective economic, social and environmental needs.

3.28 In the light of the review and of the recommendations of the National Planning Board, the Government have decided that the main aims of the roads programme should continue to be:

—the provision of an adequate inter-urban system for the major towns, ports and airports;

—the elimination of traffic hold-ups by the provision of by-passes for towns on national routes;

—the reduction of urban congestion by providing new bridges, ring roads and relief roads.

3.29 The Government have also decided that the economic

and social importance of an adequate road network justifies accelerated State investment and accordingly State expenditure on road improvement will be as follows over the next three years (1984 figures for comparison):

Year	£ million
1984	101.65
1985	125
1986	140
1987	155

3.30 The aggregate provisions for 1985 to 1987 exceed the corresponding provisions contemplated in the 1979 Plan by some 10 per cent. It is estimated that the proposed level of State expenditure on road improvements and maintenance will result in the following levels of direct employment (1984 figures for comparison):

Year	Man-Year Jobs
1984	4,800
1985	5,400
1986	5,700
1987	5,900

Spin-off employment is also expected to increase by some 400 a year on average during the period. In addition, 4,600 are employed this year by local authorities on road works financed from their own resources.

3.31 The import content of expenditure on road works is negligible.

3.32 The Government will ensure that the maximum possible financial assistance for road development is obtained from EEC sources, including the European Regional Development

Fund, European Investment Bank, the Western Package and the Special Scheme for Transport Infrastructure.

3.33 It is intended to use cost-benefit studies for major schemes to the maximum extent possible to assist in determining priorities. Proposals for the provision of busways in the Dublin area are also being re-examined in the context of the programme of road improvement works. Emphasis will continue to be placed on the improvement and maintenance of the national roads which account for 6 per cent of the total road network but some 35 per cent of total road travel.

3.34 On the basis of these capital provisions, construction work will get under way on a number of new major road improvement schemes in the period 1985-1987. Details of a number of these new projects will be announced shortly.

3.35 Because of the time-scale involved in the planning and execution of large scale road improvements, a proportion of the capital expenditure on major road schemes during the period of the Plan will relate to works which are at present under construction or at a very advanced stage of planning/land acquisition. Examples of these schemes are:

N1 Santry By-Pass (Stage II — Coolock Lane to Dublin Airport)
N1 James's Street, Drogheda (Louth)
N3 Navan Relief Road (Meath)
N6 Athlone By-Pass (Westmeath/Roscommon)
N9 Leighlinbridge By-Pass (Carlow)
N11 Bray Road (Westminster Road/Kill Lane) (Dublin/Wicklow)
N11 Wexford By-Pass (Wexford)
N20 Cork/Mallow (Cork)
N22 Killarney By-Pass (Kerry)
N25 Midleton By-Pass (Cork)
N25 Waterford Bridge (Waterford)
N81 Tallaght/Templeogue (Stage II) (Dublin)

3.36 The Government have also been examining proposals

received for road improvement works to be financed by private enterprise, possibly with the aid of tolls, and will announce details at an early date.

3.37 With a view to accelerating road building beyond what could be accomplished with Exchequer financing, the Department of the Environment will make available to representative bodies and firms particulars of other potentially suitable projects for toll roads.

3.38 In all cases where toll facilities are introduced, they will revert in due course to public ownership and the contracts will be carefully designed to protect the public interest as well as being attractive to the developer.

Transport

3.39 The Government are introducing a series of measures in the area of transport policy which together will achieve a significant improvement in the quality of transport services and in the cost of providing these services.

3.40 The carriage of goods for payment has been severely restricted over the years by licensing regulations. These restrictions have led to waste and to high freight costs. The following measures are now being taken:

—legislation is being introduced in the next session to allow free availability of licences;

—standards will be maintained through a vigorous enforcement of regulations, particularly those relating to safety.

3.41 The overall result will be a more flexible, less expensive freight service for the producer, the exporter and the consumer.

3.42 The national transport company, CIE, provides an

important, though declining, proportion of transport traffic in the State. Its operations have come under criticism in recent years, particularly because, in the last decade, they have placed a heavy and growing burden on the taxpayer. The Exchequer at present spends more to cover CIE's deficit than it does on road building. In the context of overall transport policy this constitutes a serious imbalance. The Government believe that the deterioration in CIE's position can be partly attributed to institutional weaknesses, shortcomings in CIE's remit, and an out-of-date organisational structure. The Government, therefore, are determined that there will be a new deal for the people who use CIE services and also for those who work in it.

3.43 Having considered the future of CIE in the context of the McKinsey Report, other related documents and the views of the Chairman of CIE, the Government have decided that:

—CIE will be retained but in a restructured form which will involve the separate administration by subsidiary companies of Dublin City services, provincial bus services and the railway. This will be effected by legislation to be introduced within a few months;

—a package of retrenchment measures will be implemented on the passenger rail side; this will not affect the existing carriage replacement programme but will mean that there will be no new substantial investment in railways and there will be strict cash limits on other expenditures;

—the interest on the capital expenditure incurred on the electrification of the Howth-Bray line will be met by the State;

—CIE's rail sundries traffic and road freight services will be discontinued from January, 1986, unless they are shown to be profitable in 1984-85;

—there will be a new emphasis on the development of efficient bus services, both in the cities and on rural and express routes, partly through implementation of the recommendations resulting from a review of the operation

of the Road Transport Act, 1932, which will be completed within the next few months.

3.44 The changes in CIE outlined above are designed to ensure that each of the Board's activities makes its maximum contribution to national transport needs. In addition, CIE's spiralling deficit will be brought under control—a process already well under way in the past eighteen months.

3.45 For Dublin, a new Dublin Transport Authority is being established: the necessary legislation will be introduced by the Minister for Communications in the next session. The new Authority will:

—have a key role in the planning and operation of Dublin's transport resources;

—be responsible for traffic management in the Dublin area;

—become part of the reformed local government structure when proposals for reform are being implemented.

Energy

3.46 The role of the energy sector is important in providing employment directly in production, transmission and distribution, on account of its significance to the productive sectors of the economy, and as an important item in consumer expenditure.

3.47 Government policy in this area has the following objectives:

—securing the supply and availability of energy and implementing a market-related pricing policy, where this is possible;

—stimulating the use of domestic energy sources and reducing our dependence on oil by broadening the fuel mix;

—encouraging exploration for additional domestic supplies of oil, gas and coal.

The actions taken by the Government will improve the efficiency with which our indigenous resources are used, and at implementing appropriate and consistent pricing policies.

3.48 *OIL:* In 1979 imported oil accounted for 71 per cent of our primary energy input. This dependence on imported oil had been reduced to about 50 per cent in 1983. However, the availability of oil is fundamental to the Government's energy strategy.

3.49 The Government have:

—introduced natural gas in major urban markets. This has provided increased competition for oil;

—established a new system of monthly review of oil prices which should tend to generate greater competition and which is structured to follow closely the international market prices.

3.50 Since the acquisition of Whitegate, the Government, in conjunction with INPC, have taken every practical measure to improve performance. This has led to a reduction of the diseconomy to the extent that in 1984 there will be little difference between the net cost of products out of Whitegate, taking account of its role as a strategic store, and the average cost of imported products.

3.51 *NATURAL GAS:* The Government have decided that natural gas should be distributed in towns and cities where

this is economically feasible. The objective will be to capture, for the benefit of the community, the maximum value which can be achieved for the gas, while at the same time making gas a most competitive and cost-efficient fuel. Town gas systems will be developed where the cost of the infrastructure can be recovered and an adequate price paid to Bord Gáis related to the true value of the gas as measured by its opportunity cost.

3.52 The allocation of gas to ESB and NET reflects the reality that these organisations were the original customers for the gas and provided the basis for the development of the field. These arrangements do not capture for the Exchequer the full value of the gas. The Government have considered charging full heavy fuel oil price for gas sold to both ESB and NET. However, in view of the current level of electricity prices, the Government believe that a price increase arising from such a policy would not be practical at this stage. Future arrangements for NET and ESB are currently under review.

3.53 *PEAT:* The third peat development plan is now nearing completion. A falling off of capital expenditure is anticipated. The future of the peat industry has been assured by:

—the joint actions of the Government, ESB and Bord na Móna in determining a pricing policy for peat;

—continuing generation by ESB in peat-fired stations.

3.54 The pricing policy is aimed at ensuring that peat stations, when efficiently operated, will be competitive with oil generation costs for the foreseeable future. The pricing policy for briquettes will be aimed at achieving competitiveness with coal. Bord na Móna has under current review its proposals in regard to the briquette factory at Ballyforan.

3.55 *ESB:* A major programme of diversification has been in train since 1975 in the ESB. There has been a major switch from oil to gas as the more significant fuel in power generation and there will be a substantial allocation of gas to ease the transition to coal over the period 1985-87. The development of coal-fired generating capacity at Moneypoint is well advanced and the units should be commissioned in each of the years of the Plan (one in each of the financial years 1985/86, 1986/87 and 1987/88).

3.56 The cost of electricity has for some time been a cause for concern. When the report of the committee established to review ESB electricity prices has been considered the Government will announce further measures aimed at improving efficiency and costs in the electricity industry. The Government will also continue to keep under active review the feasibility of cost-saving interconnectors with Great Britain and Northern Ireland.

3.57 *OFFSHORE:* A fundamental part of the policy of reducing our dependence on imported energy and improving competitiveness and the price of energy in Ireland is in the continuing exploration programme offshore. With this in mind, the Government announced last February a third offshore licensing round. Legislation will be brought forward early in the period of the Plan to give effect to a comprehensive taxation system for oil/gas production. In the meantime, exploration work proceeds, including work programmes undertaken under the second licensing round. Delineation work will continue on the Waterford find in Block 49/9.

State Forestry

3.58 Our national forests are an immensely valuable resource and the Government are determined to ensure that they are developed to the maximum national advantage. The overriding objective in the exploitation of this State-owned

natural resource will be the maximisation of the benefit captured by the State on behalf of the community. Notwithstanding the improvements that have been made, there is scope for greater application of scientific management criteria in this sector. It would be premature to conclude at this stage that a new State body would be needed to accomplish these objectives. However, a review group, with membership from inside and outside the public service, is being established to examine urgently the present structure of the Forest and Wildlife Service and, with due regard to the role and function of the National Development Corporation, to make recommendations on the most appropriate methods of exploiting the expanding forestry asset to the best national advantage.

3.59 While the sealed bid method of allocating timber has worked reasonably well to date, the Government feel that sufficient flexibility has not been allowed in the approach to timber disposal. The Forest and Wildlife Service will be authorised to introduce alternative methods of disposal on a pilot basis. As an interim measure, this will assist the timber industry to obtain a more reliable flow of supplies without loss of revenue to the State.

3.60 The scope for joint public/private ventures to expand the rate of tree planting is being examined. Progress in this area will depend, however, on securing viable projects which will provide an acceptable return on public investment.

A NEW APPROACH TO PUBLIC ENTERPRISE

3.61 The Government believe that if public enterprise is to make a major and effective contribution to industrial and economic development in this country, there will have to be an entirely new approach to the role and function of public enterprise. Primary emphasis will have to be placed on developing modern industry with emphasis on commercial viability and profits.

3.62 Recently major cost overruns and catastrophic losses have seriously damaged the image of public enterprise. Many of the commercial State bodies, once a source of innovation and dynamism, have become a drain on national resources, and a burden on the tax-payer. While failures are by no means confined to publicly-owned industry, the responsibility for tackling the reasons that produce failures in the public sector lies with the Government in conjunction with the Boards and employees of these bodies. The following problems will be tackled:

—failures in planning, project design and execution, including weak management and in some instances inadequate Board supervision;

—excessive Government emphasis on social and other policy objectives, leading to heavy investment in industries which did not have good prospects;

—lack of clear definition by Government of the strategic, economic and social roles of State enterprises and failure to develop accounting arrangements and performance targets which would enable Government to appraise the results achieved by public enterprises against agreed policy requirements.

3.63 The National Planning Board has outlined a number of areas in which weaknesses must be tackled if existing State enterprises are to make, as they did before, a significant contribution to Irish economic development.

3.64 First, the capital investment must be more carefully directed, as many of the problems have arisen through poor design and planning of major capital investments, and mismanagement of capital investment programmes. Real rates of return, taking account of risk, will have to be capable of being achieved by all new investment projects before resources will be allocated to them.

3.65 Second, the financial performance will be continuously

monitored especially with regard to adherence to borrowing limits which will be established by the Government *and which will not be renegotiable*. Performance indicators on a basis which is at present being drawn up by the Department of Finance will be published.

3.66 Third, activities that are not commercial will not be so described. The Government propose to distinguish in the future between commercial development on the one hand and on the other enterprises and activities that draw their justification from social or strategic considerations. A direction concerning their pricing and cost policies will be made along the lines set out by the National Planning Board and this should lead to profitable operation.

3.67 As part of the drive to improve project appraisal, Departments and agencies will be required to place increased emphasis on the evaluation of public spending and project management. Government approval for investment projects will depend on the outcome of rigorous evaluation based on guidelines developed by the Department of Finance.

NATIONAL DEVELOPMENT CORPORATION

3.68 The National Development Corporation will be a primary instrument in translating the Government's philosophy and approach to direct State involvement in industry into practice.

3.69 The NDC will deal only with commercial operations. The emphasis will be on developing modern industry, based on commerciality and profits, and strengthening indigenous industry and enterprise. In view of this emphasis, the Government will be ready to make funds available to the NDC for such projects as and when needed.

3.70. The National Development Corporation will give new

commercial and strategic thrust to public investment in industry and will contribute significantly to economic expansion and employment growth, particularly in natural resource industry. It is intended to review, also, the prospects for investment by the Corporation in the tourist industry.

3.71 The White Paper *Industrial Policy* has already set out in detail the operations and objectives of the NDC. It will provide a new impetus in relation to food and timber processing, will act as a catalyst in the building of structurally strong Irish firms, and will be a key element in the new thrust of public sector involvement in productive, employment-creating, economic activity.

THE PUBLIC SERVICE

Management and Operation

3.72 Fundamental improvements in the management and operation of the public service must be made urgently. Better management and greater accountability will, in turn, help to curb the size and cost of the public service. These issues will be addressed in a White Paper which is near completion at present in the Department of the Public Service and will be published shortly by the Government. Legislation will be introduced to give effect to the main proposals in the White Paper.

3.73 Within the civil service, a modern, accountable system of management will be introduced. Every Department will set out clearly its aims and objectives. These will be reviewed each year by the Government and adequate resources made available for approved activities. All managers will be given a defined responsibility for achieving stated results on the basis of available resources and will be directly accountable for performance and for their own budget utilisation. This will be a major innovation in the civil service which has never hitherto experienced decentralised control of this kind.

3.74 At present all decisions, including quite detailed personnel management decisions, must, in law, be taken by Ministers. Formal and well-defined delegation of authority and responsibility by Ministers to officials is essential if the objective of gearing the management of the civil service to clear responsibility and accountability is to be realised.

3.75 Successive Governments have favoured the establishment of executive offices to enable Ministers to free themselves from day-to-day detail and devote themselves to the formulation and review of policy. These offices will be established on a statutory basis.

3.76 The planned approach to management will not be confined to the civil service. The policy direction of all public sector agencies will be based on clearly defined objectives and outputs, as proposed by the National Planning Board.

3.77 The Department of Finance has taken a number of initiatives aimed at improving the control of public expenditure and providing appropriate information to the Oireachtas and the public on the performance of Departments and State agencies. New monitoring and control procedures have been initiated by the Government to ensure that public expenditure is kept firmly under control. Expenditure is now controlled month by month on the basis of profiles approved at the beginning of each financial year. This new system has led to a great improvement in the flow of information to both management and Government and has successfully ensured that the Budget targets for expenditure are adhered to.

378 Other Department of Finance initiatives represent a fundamental revision of financial management, involving the recasting of the vote accounting structure, the development of a programme approach to public expenditure, and the issue to all Departments of important guidelines on financial management. The procedures envisaged in these guidelines include, among other basic improvements, the identification of individual managers as being responsible for programmes and for activities within programmes.

3.79 The development of the general management system described, and the financial management improvements being pursued by the Department of Finance, are both intended to contribute to a more purposeful, cost-conscious management of the public sector.

3.80 A more efficient and effective public service requires the co-ordination of policies on manpower, personnel management, organisation and pay across the whole Public Service. This will be the responsibility of the Minister for the Public Service, who will have clear authority to ensure that the arrangements decided on are implemented.

3.81 The Government have already taken a number of important initiatives, particularly in the area of staff mobility.

3.82 Under the top level appointments scheme, all officers at Principal level and above can compete for all vacancies arising at Assistant Secretary level and upwards. The scheme draws no distinction between the different grading structures — general service, departmental and professional. It is open to all qualified personnel.

3.83 The basic thrust of this scheme is mirrored in other initiatives affecting civil service management grades. The scheme for promotion to Principal level, which will be introduced shortly, provides that every third vacancy at this level will be filled by inter-departmental competition. Major changes have also recently been introduced in the scheme for promotion to Assistant Principal. Effectively, they provide that every second vacancy will be thrown open to service-wide competition, compared with every fifth vacancy previously.

3.84 In line with the National Planning Board's recommendation and with the Government's policy on personnel development, and for the purpose of giving staff fresh experiences

and more challenging tasks, as well as to introduce new ideas, the Government have been anxious to arrange for temporary exchanges of suitable staff between the civil service, the rest of the public sector (particularly Departments' own agencies) and the private sector.

3.85 The number of exchanges that have taken place is not adequate. Contacts already made with the Confederation of Irish Industry and the Federated Union of Employers and steps taken within the public service itself are directed at improving the situation and have already met with some success.

OIREACHTAS REFORM

3.86 The Government will continue to implement their commitment to Oireachtas Reform in order to make the work of our primary institution of State more relevant, open and pragmatic. With the co-operation of all Members, much successful work has already been achieved in this area.

3.87 The single most visible reform has been the establishment of an extensive range of Oireachtas Committees. Much of the work of the more traditional Committees has been streamlined or incorporated into the new Committees and the way in which the Committees conduct their business has been extensively modified. Meetings are held in public and submissions and evidence are received on a wide range of important topics such as Public Expenditure, Women's Rights, Small Businesses, to name some of the sixteen Oireachtas Committees. Most of the Members of the Oireachtas have an opportunity to participate in the work of these Committees and the evidence to date is that the public have taken a close interest in their proceedings.

3.88 Already, the Oireachtas Committees on Public Accounts, on Public Expenditure and on State-sponsored Bodies are developing major roles in monitoring expenditure and

the use of resources. This development will strengthen very considerably Oireachtas control over national finances.

3.89 A Committee on Socio-Economic Affairs, as proposed by the National Planning Board, will be established by the summer of 1985, as soon as certain other Committees complete their work, releasing Deputies and Senators to take part in the new Committee. Its terms of reference will be carefully drafted to enable it to play an important role in monitoring the longer-term aspects of the Government's economic and social strategy.

3.90 The Government have also considered a number of procedural reforms which will improve the operation of the Dáil and the ability of individual Members to take initiatives. A new system for Private Members Bills will shortly be considered by Government. A new format of debate in respect of Oireachtas Committee Reports and Private Members Bills is also being considered which would curtail the duration of contributions but increase the number of occasions a Member may intervene.

3.91 A new system of Parliamentary Questions aimed at making Question Time more relevant and up-to-date has also been approved by Government and will be submitted to the Dáil Committee on Procedure and Privileges.

3.92 In order to provide the public with greater knowledge of the workings of the Oireachtas and its Committees, the Government have recently approved detailed proposals for broadcasting of Oireachtas debates. This will begin on an experimental basis in the near future and the Government's proposals are being forwarded to the Committees on Procedure and Privileges.

CONSULTATION WITH SOCIAL PARTNERS

3.93 In order to make the National Economic and Social Council (NESC), representative of the main economic and

social interests, more effective in its influence on the development of economic and social policy, the Government in July reconstituted the Council. The overall membership is reduced from 47 to 23 (including the Chairman), with five representatives each from the existing trade union, employer and farm organisations and seven members, appointed by the Government, representing youth interests, general economic and social interests and Government Departments.

3.94 Ministers will, in future, consult regularly with the Council on economic and social policy matters, on their own initiative or on the initiative of the NESC.

3.95 The National Planning Board provide the independent advice, studies and reports required by the NESC, though there will be scope for outside consultants where considered necessary by, and in agreement with, the NESC.

LOCAL GOVERNMENT REFORM

3.96 In keeping with the undertaking given in the *Programme for Government, 1981-1986,* the Government are fully committed to reforming the local government system. At this stage considerable progress has been made in evaluating options in consultation with the representative local authority bodies and in the light of submissions made.

3.97 Population growth in the Dublin area, in particular, demands both greater co-ordination in the provision of services and an extended system of democratic representation. Measures of the following kind will be considered to meet these needs:

—reorganisation of local authority areas to take account of the huge population increase and to make it easier for people to identify with the councils which they elect;

—the setting up of a Metropolitan Council which would have responsibility, inter alia, for promoting co-ordination

in planning and development through the Dublin area as a whole.

3.98 The growth of community organisations, reflecting a demand for wider public involvement in local affairs, will also be taken into account in reform of the system elsewhere in the country, as will the consequences of increasing population for local services and representation. Steps will be taken, for example, to remedy the situation in which outmoded town boundaries mean that many voters have no say in the election of their own town councils. It is the intention that the role and influence of the elected councils should be enhanced as much as possible. Existing central controls over local councils and procedural constraints are being examined with the aim of increasing local discretion and initiative.

3.99 Regional structures will also be reviewed to ensure the effective co-ordination of services at that level.

3.100 The erosion of the rating system has meant a loss to local authority revenues of some £350 million at current rating levels. The great bulk of the lost revenues has had to be made up directly from the Exchequer and the cost of local authority services has become a major and ever-increasing burden on central funds.

3.101 The stage has now been reached at which almost two-thirds of all local authority spending or current account comes from the Exchequer.

3.102 The Government believe that this situation has already had harmful effects on vitality and accountability in the local government service and that this could limit the effectiveness of reforms in other directions. The Government are making a detailed examination of the ways in which local finances might be further supplemented from local sources. Collection of the new farm tax by local authorities and its application for local purposes is a first step in this direction.

3.103 A report is expected shortly on a study of local authority financing which has been undertaken by the National Economic and Social Council.

3.104 The Government are continuing with their own examination of the various possibilities and their implications as an integral part of the review of the local government system as a whole and will take account of the relevant studies in coming to conclusions.

3.105 Local authorities are an integral part of the system of representative government. Through their works programmes and the services and employment which they provide, they play a major part in the social and economic life of the State. The Government are determined that the local reforms to which they are committed will ensure that local authorities are enabled to fulfil that role to best effect.

Chapter 4

Helping the Long-Term Unemployed

MANPOWER POLICY

4.1 The Government are taking steps to improve the overall co-ordination of education, training and manpower services, to develop better strategies, and to strengthen and modernise relevant manpower structures. A properly managed manpower policy can make a significant contribution towards the Government's efforts for revitalising the economy, boosting employment and raising living standards.

4.2 The new approach to manpower policy will seek to exploit to the full the employment opportunities presented by new developments and to influence changes in the economic and social environment so as to maximise their employment potential. In the short-term, it will be directed at intensifying the Government's efforts for expanding employment by improving the effectiveness of existing measures, exploring the scope for new job-creation initiatives and making special efforts to help those who experience particular difficulties in coping with unemployment such as the long-term unemployed, the socially disadvantaged, the disabled and the handicapped.

4.3 As an immediate step, the Government propose to strengthen the role of the Department of Labour to ensure that, in future, full account is taken of the potential manpower

implications of all policy initiatives. Furthermore, in bringing more order into the distribution and provision of manpower services the Government will take account of the suggestions in the report by the Oireachtas Committee on Public Expenditure — containing proposals to establish a centralised State agency for persons registering for employment and training — and the recommendations of the Minister of State at the Departments of Education and Labour for co-ordinating the education, training and manpower services.

Need for Immediate Action for the Long-Term Unemployed

4.4 There has been a steady rise both in the numbers who are unemployed for more than a year, and in their share of total unemployment growth. Almost one-half of these people have family responsibilities and the average number of their dependants is between three and four.

4.5 The plight of the long-term unemployed in particular calls for direct Government action over and above the provision of income maintenance payments. Without such action, many of the long-term unemployed particularly in older age groups, who retain the capacity to contribute usefully to economic activity, would have little chance of successfully re-entering the workforce in the foreseeable future.

4.6 Policies are already in place which offer assistance to the long-term unemployed. The success of the Enterprise Allowance Scheme, introduced in December, 1983, shows that it clearly filled a need. By September, 1984, almost 3,500 unemployed persons had availed themselves of the opportunity to establish their own enterprises and this number is growing week by week. While approximately one-third of participants on the Scheme are long-term unemployed persons, many of the long-term unemployed have skills which do not lend themselves to self-employment and others require retraining.

4.7 The Employment Incentive Scheme — which subsidises

incremental employment — has recently been revised and improved. Under this Scheme a subsidy at twice the normal rate applies to older long-term unemployed persons. But while participants in this Scheme have largely been young people, the participation rate among the long-term unemployed has increased from 3 per cent to 17 per cent, since the doubling of the subsidy.

4.8 The Youth Employment Agency (YEA) has been co-ordinating the vastly expanded training and employment schemes for young people under the age of 25. The scale of these schemes funded by the Youth Employment Levy, which are more extensive than in any other country, is not always fully recognised. At any one time in 1983, upwards of 30,000 young people were benefiting from one or other of these schemes with priority being given to those unemployed for six months or longer. Most of these were in training, pre-employment or secretarial courses, but 7,500 were in employment and work experience programmes. About two-thirds of Work Experience Programme participants obtained employment after the end of their six-month period on the Programme. The Agency, in co-operation with An Chomhairle Oiliúna (AnCO) and the National Manpower Service, has concentrated in particular on gearing programmes to meet the needs and requirements of young people who are particularly disadvantaged in regard to securing suitable employment or who have been unemployed for such long periods as to increase their risk of becoming unemployable.

4.9 The Government have now approved the YEA's proposal for the establishment of pilot Community Training and Education Consortia (COMTECs). The COMTECs will bring together manpower and education authorities at local level together with community organisations to ensure improved co-ordination of programmes for young people. COMTECs will be established on a pilot basis in six areas, both rural and urban, over the next twelve months.

4.10 A feature of the future arrangements will be the use by the manpower authorities, whenever possible, of existing facilities especially those of the educational system. The operational aspects of ensuring the full use of educational resources

are being actively considered by the manpower agencies and will shortly be approved by the Ministers for Labour and Education. These and other changes which have been decided upon should remedy deficiencies in the co-ordination and management of training and education programmes identified in a recent examination by the Minister of State at the Departments of Education and Labour.

A NEW SOCIAL EMPLOYMENT SCHEME

4.11 Most of the above schemes apply to those under 25. But fewer than one in every five of the long-term unemployed are under 25. New measures are needed to help the large number of productive and energetic persons who have been unemployed for an extended period to make their contribution to social and community development.

Contrary to what is often alleged, such measures are more expensive than the cost of providing unemployment assistance for those concerned. Nevertheless the Government have decided on a major initiative — a Social Employment Scheme — to offer new hope to as many of the long-term unemployed as possible.

4.12 The key features of the Scheme will be:

—it will offer part-time work on a half weekly basis for one year to persons who have been unemployed for over a year and are drawing unemployment assistance;

—the wage and a contribution towards the costs of supervision and materials will be paid by the Exchequer;

—projects will be submitted for consideration by public sector and voluntary organisations;

—these projects must fulfil the following criteria: they must be non-profit orientated, respond to clearly identified community needs and not be in substitution for existing employment. These conditions will be vigorously applied so that existing employees will not lose their jobs or have

their hours of work reduced because their employers have availed themselves of the Scheme;

—in the case of public sector organisations there will be a fixed contribution from the Exchequer towards material and supervision costs. In the case of voluntary organisations, the contribution will be the same as currently applies to the Grant Scheme for Youth Employment.

—the objective will be to achieve a participation level of 10,000 within a year. The feasibility of subsequent expansion beyond that figure will be considered in the light of the success of the Scheme.

—the gross cost of the Scheme will be £57 million. Savings on unemployment assistance payments and receipts from direct and indirect taxes in addition to other small savings will reduce the net cost to the Exchequer to £20 million, provision for which has been made in the Plan.

—the wage will be £70 for a half week. This will ensure that the Scheme will be financially attractive for a significant number of the long-term unemployed. Details of PRSI arrangements will be announced in due course.

—the Department of Labour will have overall responsibility for operating the Scheme.

4.13 It is expected that the local authorities will be the single biggest sponsor of the Scheme but the Government have identified a number of other areas, for example tourism and educational support services, where there is considerable potential for employing participants on the Scheme.

A TRAINING AND PLACEMENT "ALTERNANCE" SCHEME

4.14 In order to expand further the range of options available to the long-term unemployed, the Government have decided to introduce a special scheme entitled "The Alternance Scheme", offering a combination of appropriate formal training with an element of on-the-job placement in a public or private sector firm or organisation.

4.15 The "Alternance" Scheme will comprise alternating periods of AnCO training and periods of practical work experience in a work environment. The training will be designed specifically for the long-term unemployed and will range from personal development to enterprise training. In general the purpose of the training element will be:

—to provide participants with practical work experience which will help to restore a sense of self-confidence;

—to help them to develop initiative and job-finding skills so as to increase their ability to find permanent employment;

—to help them to acquire the skills to become self-employed;

—to provide them with the basic skills and knowledge necessary to set up co-operatives;

—to familiarise participants with the wide range of State support which is available to the prospective entrepreneur.

4.16 The period in the work environment will mainly be spent in manufacturing and service industries. Participants will obtain experience of work which they will not have had for over a year. Appropriate temporary placements will be made in public sector service organisations. However, involvement in the commercial private or public sectors will be more likely to provide the type of work experience which is relevant to such objectives as starting a new business or setting up co-operatives, and it is hoped that the larger employers will be generous in their provision of places.

4.17 The Department of Labour will have overall responsibility for the administration of the Scheme. The aim is to give 2,500 persons a six-month programme in the first full year of the Scheme.

PRE-RETIREMENT CATEGORY

4.18 Some of those who have been unemployed for over a year and who are in their late fifties and over, may already

regard themselves as semi-retired and not really interested in re-entering the workforce.

4.19 The Government have, therefore, decided to introduce, on a voluntary basis, a pre-retirement category of payment, equivalent in money terms to unemployment assistance, for the long-term unemployed over 55 years. Persons opting for this category will be required to register only once every three months rather than on a weekly basis. A means test will still apply.

WORK-SHARING

4.20 While it is clear that it can represent only a limited element in the resolution of the unemployment problem, the Government is committed to the promotion of work-sharing in the market sector of the economy and to the introduction of measures and guidelines which will enhance the prospect of securing a more widespread distribution of employment opportunities for particular groups among the unemployed.

4.21 The Government's view is that developments in this area should be conducted within the framework of our voluntary collective bargaining system and that a case-by-case approach should be adopted with bargaining at local level which will take account of existing occupational benefits, production needs and shift patterns at unit level.

4.22 The Minister for the Public Service has introduced a job-sharing and career breaks scheme in the civil service the object of which is to increase employment possibilities in the public service.

4.23 The public service Job Sharing Scheme involves two people equally sharing the duties and responsibilities of a post and similarly equally sharing the pay and other benefits. Up to the end of July, 1984, 231 applications had been received

and arrangements finalised in 44 of these cases. Staff will also be recruited from competitions on a job-sharing basis. They will be offered full-time jobs after about two and a half years.

4.24 The Career Breaks Scheme enables civil servants to apply for special leave without pay for a period of from one to three years. This break can be used for a wide variety of purposes, such as further education, domestic responsibilities, setting up a business, etc. At the end of July, 1984, 242 applications for career breaks had been received and 215 of these had been granted.

4.25 Under both schemes, posts vacated can be filled, thus adding to job opportunities in the civil service. In view of the success of the Schemes they are being extended to other areas of the public sector. Already, the Career Breaks Scheme has been introduced in the Health area.

Chapter 5

Social Policy

INTRODUCTION

5.1 Society needs a unified and integrated economic and social policy. Economic growth can be self-defeating if its effects are to maintain and reinforce injustice. A balance is required between what is necessary to meet acceptable economic constraints and what relates specifically to the creation of a more just and equal society.

5.2 The NESC Report No. 61 suggested that the values which should underpin all social policy would include a societal acceptance of:

—the dignity and right to personal development of the individual;

—the value of bonds of mutual obligation within society;

—the importance of fair shares within the community;

—the securing of basic rights within a democratic framework.

5.3 With these values accepted as basic, among the principal aims suggested by NESC for Irish Social Policy were:

—the reduction in inequalities of income and wealth by transferring resources to those in need and by equitably distributing the burden of such support;

—the elimination of inequalities of opportunity which arise from inherited social and economic differences;

—the provision of employment for those seeking work;

—the provision of access for all, irrespective of income, to certain specified services;

—the development of services which make provision for particular disadvantaged groups in the community;

—the development of responsible citizenship based on an explicit recognition of the network of mutual obligations within the community.

5.4 Social policy, therefore, should seek to make progress, even in times of severe financial constraint, in the light of these objectives. Selectivity in the use of scarce resources will be essential, but social policy is not about social expenditure only. The Government are also concerned with the wider question of social justice, of appropriate legal provision, of institutional reform and the development of public education and information and, more important, action aimed at grappling with the structural and other causes of poverty and inequality in our society. Not all of these matters can appropriately be dealt with in the framework of a plan of this kind, which must necessarily concentrate attention mainly on social policies with financial implications, but the publication of this Plan will free the Government to devote more time to these and other kinds of social reform.

5.5 Modern Government provides a wide range of services to those within the economy who have special needs which they cannot meet themselves. Such groups include children and young people, the elderly, the sick, the disabled and the homeless and all those with inadequate incomes.

5.6 There are three facts which constrain the development of social policies, in terms of resource allocation, during the years of the Plan.

5.7 First, we have a very high proportion of our total population in the dependent age groups i.e. either under 15 years of age or over 65 years. These groups now amount to 41 per cent of total population — a figure that is very high in comparison with other European countries.

5.8 Second, we have had a very high rate of population increase caused partly by the excess of births over deaths within the country and also, especially in the 1970s, by considerable net immigration. Thus, after almost continuous population decline since the mid-nineteenth century, the population increased by about 16,000 per year during the 1960s and by about 46,000 per year during the 1970s; so that between 1961 and 1983 total population increased by almost 25 per cent.

5.9 Third, our levels of unemployment are extremely high.

5.10 These are the background facts common to the formulation of economic and social policy. It is clear that children and young people must be adequately catered for in terms of education, health and housing. Community health, social welfare services and housing are particularly important for the elderly. Also, while the direct aspects of unemployment have been considered in Chapter 2, policy must cope with the social distress of unemployment through income maintenance and by providing for the specific health and social welfare problems which unemployment creates. Times of recession and high unemployment lead to even more problems for all the disadvantaged in our society, from the disabled who find it even harder to get a job to the homeless for whom there is less chance of adequate accommodation.

5.11 While these difficulties are daunting enough in themselves, each one of them — as well as the normal provision of social services — must be faced in the knowledge that, through population growth, the size of the problem has increased in recent years and is likely to continue to increase for some time to come.

5.12 The major demographic factors outlined above also impose severe constraints on the way in which society can achieve its major social policy objectives. With 41 per cent of our population in the dependent age groups, there are fewer people than in other countries to provide the necessary support for the high proportion of dependants. And this is exacerbated by high unemployment levels which increase the number of those needing support while reducing the numbers of those with adequate incomes or wealth who are able, through taxation, to provide the necessary revenues for all the expenditures involved.

5.13 The purpose of the Plan, as shown in Chapter 1, is first to assess what the current problems are; and this has been done in outline above. The next stage is to see how things can be improved without giving in to narrow sectional interests; and to do all this without increasing the already heavy burden of taxation. While this task is a very difficult one, it is within the limits of the possible. It does, however, require some fundamental changes in approach and attitudes.

5.14 First, wherever possible and justifiable, Government assistance in the social area should become more specific and more carefully aimed at, and delivered to, the poor and underpriviliged — those in need — instead of using generalised measures which provide help to the better-off, who do not need it, as well as to the poor.

5.15 Second, all possible measures must be taken to increase the efficiency and cost-effectiveness of the administration of the social services.

5.16 Third, it is important that everyone in the community — whether those in the public sector administering the social services, or the recipients of the services, or all taxpayers financing the services — should be prepared to accept changes over the years. The needs of the country have changed greatly in the last decade so that the range of social services and the way in which they are provided must also change. We must

all be prepared to accept a reduction in, and even abandonment of, established services and structures which are no longer appropriate to current needs or requirements, so as to enable an efficient and streamlined system to provide economically for the needs of the future.

5.17 While most of this Chapter is concerned with social policy within Ireland, this country has a long tradition of providing help to those in other countries who are immeasurably worse off than even the poorest in our society. Effective planning is particularly important for such development aid.

5.18 The range of social services in Ireland is very wide so that, although a general overview is necessary and important, each area needs specific consideration. This is undertaken in the second part of the Chapter which presents Government decisions and policies for the future in education, health, income support services, housing and assistance to developing countries.

EDUCATION

5.19 The Government give the highest priority to having a well educated population. A detailed account of education policy and priorities is set out in the *Programme for Action in Education, 1984-1987* published by the Government in January 1984. The major policy objectives of the programme seek to achieve a closer relationship between education and modern society and between education and the world of work. Special emphasis is given to achieving much greater real equality of opportunity in education and to providing special help for the disadvantaged within the system. In addition, many changes in courses, curricula and structures are proposed in order to shape the educational system for the new and different challenges of the coming years.

5.20 Primary education will be a priority for expenditure during the course of the Plan, together with special funding

for disadvantaged areas as advocated by the National Planning Board. The measures to be taken will include the appointment of additional teaching posts in areas of particular need. A special fund of £0.5 million each year will allow for increased provision for free books and teaching materials, libraries and other requirements for disadvantaged areas.

5.21 The major thrust of policy at second-level will relate to the areas of curriculum reform in order that curricula would be more relevant to the needs and aspirations of the students; to rationalisation of the provision of educational facilities on a local basis; and to special provision for students who are likely to leave the system before or directly after the end of the compulsory cycle, details of which are given in Paragraph 5.24 below. The Curriculum and Examinations Board is charged with the tasks of reviewing curricula and bringing forward new examination and assessment procedures. There will also be provision at post-primary level for special funding for disadvantaged areas, in particular as regards the allocation of additional remedial and guidance teachers.

5.22 Government policy at third-level is to provide education for as many young people as possible. The level of real resources to be made available at third-level will be increased by almost 5 per cent by 1987. In particular, academic developments geared to a changing modern society will be funded, with particular reference to new technologies such as microelectronics, new information technologies and biotechnology. Courses are being planned for the development in the third-level colleges of computer services, including micro-computer networks, office technology and a degree in telecommunications. Planning is also being undertaken for the introduction of courses in genetic engineering, food and plant biotechnology, robotics, the engineering aspect of biotechnology and for a fermentation research unit. The question of rationalisation and effectiveness of the third-level sector in order to cater for as many students as possible in the most cost-effective way, is being pursued with the various interests involved with particular regard to the specific proposals made in the Action Programme.

5.23 It is proposed to update the financial provisions of the Higher Education Grant and related schemes which have remained unchanged since 1981. The maintenance element of grants will be increased by 10 per cent in real terms from September 1985; income limits for eligibility will be increased by 5 per cent in real terms from the same date; both will be indexed to the rate of inflation thereafter. Account will also be taken of the National Planning Board's recommendations regarding grants for partial payment of fees and a more gradual tapering of eligibility limits.

Greater Provision of Courses Funded through ESF

5.24 The Government have gained approval from the European Commission for a number of proposals with regard to the provision, with funding from the European Social Fund, of programmes to provide young people, particularly those without qualifications, with full-time courses involving basic vocational training. The proposals involve expanding existing pre-employment courses and extending them to selected secondary schools, adapting existing pre-employment secretarial courses to increase their relevance to modern technological needs and providing one and two-year courses for young people who have completed compulsory education and for whom an academic senior-cycle is seen as unsuitable. In the 1984/85 academic year these courses will cater for 19,000 students — a five-fold increase. A feature of these courses is the payment of an annual allowance of £300 to participants.

5.25 Increased ESF funding has also been obtained for the existing middle-level technician programme in the RTCs and Colleges of Technology. These courses will cater for up to 12,000 young people in 1984/85. The cost of all ESF-funded courses is estimated at £32.6 million in 1984/85.

Teacher Training

5.26 The main policy proposals in the area of teacher training relate to a review of the B.Ed. courses for national teachers and of the initial training and induction of post-primary teach-

ers and particularly, the increased provision of in-service training for all teachers. The up-dating and widening of teachers' skills throughout their careers is seen as a most important element in providing a modern and flexible education programme and in improving the quality of education generally.

Adult Education

5.27 The Report of the Commission on Adult Education was published in May, 1984, and its recommendations are being actively considered. Arrangements are in hand for the establishment of Adult Education Boards as sub-committees of Vocational Education Committees, on an ad hoc basis initially, pending amendment of the Vocational Education Act, 1930. A separate budget will be provided to each VEC within their overall allocation to be administered by the local Adult Education Board in accordance with the needs and demands of local committees.

5.28 The Government have agreed to provide over £1 million by 1987 in funds to the VECs to enable them to establish courses — free of charge or at a nominal sum — in community education and in literacy. These courses will reflect the needs of the local community, in particular those in disadvantaged areas, and will include subjects such as child management and home making. Courses will also be designed to help community groups who are trying to deal with the drug problem in an educational framework.

Capital Provision

5.29 While there is a definite need for more capital expenditure in education, particularly at third-level, the current financial difficulties outlined in the rest of the Plan will affect the education sector, as they will all other areas of social expenditure. At all levels of education, greater rationalisation, extended use of existing facilities and other changes and adaptations will be utilised to the fullest possible extent in order to compensate for the shortfall in capital and current finance.

5.30 Arising from recent studies in the Department of Education relating to the peaking of enrolments in the years ahead and subsequent decline, it has been decided that, in future a proportion of new accommodation will be provided by way of permanent accommodation and the remainder by way of good temporary accommodation, with a life-span related to the duration of the peaking in numbers. Complementary to this, the question of planning primary and post-primary schools on the one site to allow for phasing of use as between the two sectors will be undertaken.

5.31 At the same time, the Capital Programme will allow for the provision of much needed additional and improved third-level accommodation which must be completed or set in train during the period of the Plan. Details of these projects are set out in Chapter 7. The increase in total resources will by 1987 involve a 44 per cent rise in the volume of third-level investment.

SPORT

5.32 The Government are anxious that, despite the difficult financial situation, additional funding should be provided for sport. The Government have decided that a National Lottery should be established, part of the proceeds of which will be allocated to the promotion of sport. The success of lotteries in other countries indicates that substantial amounts could be raised from a National Lottery here.

HEALTH

5.33 In recent years, the growth in population has added to the demand for health services but, despite these pressures, there has been a relative reduction in health expenditure brought about mainly through increased efficiency. The future objectives of health policy have been shaped by this continuing context of an increasing need for services at a time of great financial shortage. The major change for the future will be

a shift towards prevention of disease, and an emphasis on community care ensuring that scarce resources are directed more specifically towards those in greatest need. These are the main elements in the development of policy.

Promoting Health and Preventing Illness

5.34 Much of the illness treated by the health services and most of the premature deaths in this country could be prevented. Foremost among the areas for prevention is smoking, which accounts for about 5,000 deaths annually. In addition the air quality in urban areas, abuse of alcohol, unbalanced dietary patterns, lack of exercise, and carelessness leading to accidents on the road, in the home and in the work-place account for a major proportion of mortality and morbidity levels. In the context of the pressing demands on limited resources, it will be a major concern of future health policy to reduce avoidable expenditure on alleviating the consequences of unhealthy lifestyles. Measures already decided upon include stricter controls on smoking, a new nutritional surveillance scheme, and an improved vaccination service, including measles immunisation, to be introduced in 1985.

Promoting Community Care

5.35 The emphasis on the provision of services on a community or out-patient basis will continue to be a major element of health policy for the future. Substantial progress has been made already in this regard, notably through the reduction in the number of patients in psychiatric hospitals by over one-third since the late 1950s.

5.36 The core elements of community care are general practitioners and community nursing services. Arising from the Report of the Working Party on the General Medical Service, steps will be taken in the immediate future to increase the effectiveness of general practitioners through closer contact with hospitals and health services and to develop a style of

practice which is less dependent on drug therapy. The provision of an effective home nursing service, especially in regard to care for the aged, will be a priority, and the role of the existing public health nursing service will be reviewed as part of this process. The future development of non-institutional modes of care for the psychiatrically ill and the mentally and physically handicapped, and for child care through the provision of day-care facilities, sheltered workshops, family-size hostels etc. will be given special attention. In particular, new legislation to strengthen the statutory framework within which services for children are provided will be introduced shortly, as will legislation to effect radical improvements in the provisions for adoption, details of which are given in paragraphs 5.41-44 following.

5.37 It is the intention in the medium to long-term to bring about a redistribution away from institutionalised services, which currently account for over 70 per cent of total non-capital expenditure, to community-based services. This process will take due account of the limitations of community-based services in respect of highly dependent patients or those who are geographically dispersed. Furthermore, it will be imperative to ensure that community services and facilities are adequate to cater for those formerly cared for within institutions.

Hospital Development Programme

5.38 There has been an expansion in the capacity of the health services to provide effective diagnostic and treatment services for conditions which were previously beyond the scope of active care. These include coronary by-pass surgery, renal transplant programmes and total hip replacement. The community expects that these life-saving and life-enhancing techniques should be available to all those for whom they are effective. While health policy will aim to reduce the need for such services by preventing the associated illnesses, it will continue to be policy to make necessary care available to all. In addition the efficiency and cost-effectiveness of the hospital system will be improved by the closure of facilities which are

out-moded or no longer necessary, and by using modern management information systems in administration.

Caring and Support Services

5.39 The Department of Health is responsible for a wide range of non-medical services which in other countries are organisationally separate and charged to other expenditure areas. The integration of medical and social services, however, holds the potential to ensure a comprehensive and planned response to the needs of vulnerable groups. Of particular concern will be the development of child care services as recommended by the Task Force on Child Care; emphasis on the provision of accessible "reach out" services to low income groups who have an exceptionally high level of illness but make inadequate use of existing services; and the provision within the community of services to the disabled following the recent Green Paper on the Disabled.

The Travelling People

5.40 Special attention will be given to the needs of the travelling people. In addition to developing health services which are geared towards their particular needs, the Department of Health will exercise a particular responsibility to oversee the implementation of the Government's programme of action to effect a substantial and immediate improvement in this situation.

Child Care Legislation

5.41 It is intended to introduce three Bills in relation to the care and protection of children. Much of the existing legislation in this area is now outdated and not sufficiently in keeping with current concepts in regard to the well-being of the child.

5.42 The *first* of the new Bills is at an advanced stage of

preparation and will provide a wide range of new measures as well as considerable up-dating of the Children's Act, 1908, which is the basis of much of the existing law in regard to child care. This Bill will impose a clear obligation on health boards to promote the care and protection of children. It will, inter alia;

—provide for the registration and control of day care services for children;

—make amendments to the present provision in relation to foster care to give greater protection to children;

—provide for the registration and supervision of children's homes;

—provide better and more flexible arrangements for taking children into care;

—include a range of new provisions aimed at protecting the child in regard to such matters as volatile substances; and

—provide protection for children in relation to pornography.

(vi) provide protection for children in relation to pornography.

The emphasis in the Bill will be on keeping the child in a family setting rather than in residential care.

5.43 The *second* Bill will revise the existing adoption laws. These laws and the procedures in relation to adoption were the subject of a recent report and recommendations by a Review Committee. The recommendations included proposals for the establishment of an Adoption Court; the adoption of legitimate children (other than orphans); the grant to adopted persons of rights to information; and a wide range of other proposals aimed at making adoption arrangements more flexible and removing certain disabilities of adopted persons. It will, however, be necessary to consider in advance of the legislation whether Constitutional amendments should be sought to remove doubts about the adoption of legitimate

children and the dispensation of agreement to placement for adoption in certain instances.

5.44 The Government are also committed to bringing forward revised measures in regard to juvenile justice. This will be the subject of a *third* Bill which is under examination at the moment.

Efficiency

5.45 There is a pressing need to ensure that scarce resources are not wasted on services and activities which are not achieving worthwhile results, or which are doing so at unnecessarily high cost. Evaluation of services is therefore being improved through an extensive programme of new management information systems which is now being actively pursued at all levels in the health services.

5.46 A major obstacle to cost-effectiveness has been the insulation of health care providers and, to a lesser extent, consumers from the full economic consequences of their actions. Providers, especially doctors, are being encouraged to become more aware of the financial implications of their decisions, for example through the establishment of drugs and therapeutics committees in hospitals. A major effort will be made to involve general practitioners in the efficient use of scarce and costly medical resources. Specific incentives to influence their behaviour in these areas will be introduced. Clinicians and others will be involved in the management of budgets and the development of information systems.

5.47 The forthcoming Green Paper on the health services will examine the extent to which the existing eligibility and insurance arrangements may encourage an inappropriate use of expensive hospital services.

5.48 The rate at which the health services can be re-organised towards the major objectives of disease prevention, community care services and, especially, effective care for the poor and disadvantaged is limited by two factors: first, the general opposition to any change when this involves reducing or

eliminating some services (such as some hospitals) and second, the lack of adequate finance. Despite this, many innovatory services and improvements are proposed for the course of the Plan to provide health services which are up-to-date and appropriate to the future needs of the country.

SOCIAL WELFARE AND INCOME MAINTENANCE

5.49 Ireland has a comprehensive system of social security providing social insurance and social assistance services. At present the social welfare system provides financial protection to some 1.25 million persons or over 30 per cent of the population. As indicated in Table 5-1, over £2 billion will be spent on social welfare services in 1984. This represents some 25 per cent of current Government expenditure and some 14 per cent of gross national product. The system is financed on a tripartite basis by employers, employees and the Exchequer while the social assistance schemes are almost entirely met by the Exchequer. Exchequer support is now some £1.2 billion or 57 per cent of the total.

TABLE 5-1

Estimated Social Welfare Expenditure in 1984 and 1974

	1984		1974	
	£m	No. of recipients 000's	£m	No. of recipients 000's
Transfers to the unemployed	562	223*	42	90*
Transfers to the sick/disabled	301	108	41	86
Transfers to the elderly	574	227	76	188
Family income support	492	626	76	507
(1) Widows, etc	(315)	(131)	(36)	(125)
(2) Children's Allowances and Family Income Supplement	(177)	(495)	(40)	(382)
Miscellaneous	86	**	6	**
Total cost of transfers, grants etc.	2,015	**	241	**
Administration	86		10	
Overall expenditure	2,101		251	

* Includes persons on Live Register, plus over 65s, systematic short-term workers and smallholders — all in receipt of U.B./U.A.

** A total is not appropriate, as there is a significant degree of overlap between Children's Allowances, free schemes, Treatment Benefit claims and fuel voucher recipients, all of which can overlap with payments made under other social welfare schemes; for example, persons who are unemployed, sick, widowed or aged may also be in receipt of Children's Allowances.

5.50 Table 5-1, outlines the composition of 1984 expenditure. The biggest and fastest-growing element is the cost of unemployment payments. These account, at present, for some 27 per cent of the total. This highlights the need for the urgent and effective action in relation to the creation of self-sustaining jobs discussed in Chapter 2.

Key Issues

5.51 During the past two decades, major new social welfare schemes have been introduced and existing schemes have been extended and improved. The standard of living of those who rely on social welfare has risen significantly, both in real terms and relative to that of the employed population, though in absolute terms social welfare payments for those who have a long-term dependence on the system still only represent an income close to subsistence.

5.52 More recently, the need to arrest the rapid deterioration of the public finances and the associated pre-emption of resources by the sharp increase in numbers unemployed have dramatically reduced the funds available for improvements in the level and scope of social welfare services.

5.53 In the period covered by the Plan, the main factor which will limit the resources available to the social welfare system will be the overall budgetary constraint. A second important factor is that, without any change in the scope of schemes or in real levels of *per capita* payment, demographic and labour force trends to 1987, as explained at the beginning of this Chapter, will alone require an increase in social welfare expenditure equivalent to a significant share of the likely growth in the economy as a whole during the period of the Plan.

5.54 Because of these factors, it is estimated that Exchequer-financed social welfare expenditure will increase by more than one-quarter during the period of the Plan on the expected 1984 outturn — over 1½ times the expected growth rate in total public expenditure.

Family Income Support

5.55 A key element in the Government's strategy for income maintenance will be to provide adequately for the welfare of children in needy families. In recent times, resources being devoted to child support were not at all well targeted to the groups most in need. A particular weakness was in respect of families where the head of household was an employee at work, but at low pay. The State tax and social welfare system gave much less to such people to help with the cost of feeding and clothing extra children than it gave, not only to social welfare beneficiaries, but also to well-off families. Table 5-2 illustrates the present pattern of child support payments and displays in particular the relatively insignificant, but regressive, nature of the Child Tax Allowance. To a lesser extent, Children's Allowances are not well directed payments either.

TABLE 5-2

Existing Child Support Payments and Reliefs

	Child Dependent Increases	Children's Allowances	Family Income Supplement	Child Tax Allowances	Total
	£	£	£	£	£
Widow (Under 66) and 2 children	24.45	5.56	—	—	30.01
Married Couple and 2 children on Unemployment Benefit	18.75	5.56	—	—	24.31
Married Couple: (one employed with 2 children)					
Gross Weekly Income					
£60	—	5.56	9.75	—	15.31
£90	—	5.56	5.00	—	10.56
£120	—	5.56	—	1.40	6.96
£240	—	5.56	—	1.80	7.36
£500	—	5.56	—	2.50	8.06

5.56 The Family Income Supplement Scheme, now in course of introduction, will provide for the first time selective social welfare support for families where the head of the household is an employee at work. This income supplement will complement the Children's Allowance Scheme, available in respect of all children in the State, by providing additional help where there are low earnings.

5.57 The Government have now decided, however, to effect a thorough rationalisation of the system of child support payments during the period of the Plan.

5.58 A new Child Benefit Scheme will be introduced which will unify in a single payment State support towards the cost of rearing children. Selectivity in favour of the less well-off will be achieved mainly by treating the new monthly child benefits as assessable income for tax purposes. The restructured scheme will be carefully designed to channel available resources to those most in need and to provide a more significant independent income for mothers whose work is in the home. It will also help to improve the incentive to work by being more neutral than the existing system as between situations in which a head of family is in employment or out of work. This is in line with recommendations of the National Planning Board and a report of the NESC. The administrative machinery for the Scheme is already being developed.

Equal Treatment

5.59 Legislation for the implementation of the EEC Directive on equal treatment between men and women in matters of social security will be introduced shortly. The main changes arising will be that married women will be eligible for the full rates of benefit, will be eligible for unemployment benefit for the normal 390 days and will be eligible for unemployment assistance subject to the means test which applies generally.

Increases in benefit for adult dependants will in future be payable in respect of all dependent spouses unless they are in employment or claiming benefit in their own right. Child dependent increases will be payable at 50 per cent of the normal rate where the spouse of a claimant is in employment or on benefit. These changes will entail a net additional cost of some £17 million in 1985 and £20 million by 1987.

Employment Equality

5.60 As part of their policy of eliminating inequality of opportunity in all areas of activity, the Government will make every effort to promote full equality between men and women in the workplace. Notwithstanding the operation of the Anti-Discrimination (Pay) Act, 1974, and the Employment Equality Act, 1977, there is evidence — because of past discrimination and historical attitudes towards women and their role in society — of *de facto* segregation of women into certain low-pay employments and a restricted range of jobs. Legislation alone will not eliminate this type of inequality. The Government hope to have available shortly the Report of the Inter-departmental Committee on Women's Affairs and Family Law Reform, which is chaired by the Minister of State for Women's Affairs. This Report will deal comprehensively with this and all other areas of interest to women. The Irish Presidency of the Social Affairs Council of the EEC will make every effort to have the draft Council Recommendation on Positive Action in Favour of Women adopted before the end of this year.

Commission on Social Welfare

5.61 In the light of the commitment in the Programme for Government, the Minister for Social Welfare established a Commission on Social Welfare in 1983 to undertake a fundamental review of the social welfare code. The Commission is expected to publish its findings in 1985. Their recommendations will be a vital input for the evaluation of the structure and operation of the entire range of social welfare services which will take place during the course of the Plan. The major

aim of this evaluation is to implement whatever changes are necessary to ensure that the most effective use is made of scarce available resources to deliver an integrated, adequate and efficient income support service. The complex task of computerisation of the social welfare system which is now under way will also assist in these major changes.

National Pension Plan

5.62 The Government intend to publish a framework for a national pension plan. This is in line with the commitment given in the Programme for Government. The proposals will take into account views which were submitted in response to two discussion documents, the Green Paper *A National Income-Related Pension Scheme* published in October, 1976, and the Green Paper *Social Insurance for the Self-Employed* published in January, 1978.

5.63 This framework will also deal with the question of extending social insurance coverage for pensions to the self-employed and will give an opportunity to all parties concerned to assess their position in the light of the proposals outlined. Moreover, it will direct the attention of the community as a whole to the fact that any future progress in the area of income-related pensions cannot be brought about without costs and sacrifices, the full extent of which must be understood and accepted. It will raise for consideration the standard of income which the community considers to be reasonable and acceptable for pensioners and the extent to which it is prepared to commit resources for that purpose.

Action to Combat Poverty

5.64 Poverty is a real and continuing fact of life in Ireland. Structural inequalities in society are a fundamental cause of poverty. The nature of poverty is changing — poverty is now affecting groups of people other than those previously identified as poor. The most obvious aspects of poverty are insufficient and insecure incomes, poor housing and inadequate education.

But other aspects are equally important — social isolation, lack of choice over one's life, insecurity and dependence.

5.65 The Government are committed to drawing up an anti-poverty plan which will inform national economic and social planning, to re-establishing the structure of a combat poverty organisation and to developing constructive community action against poverty. Following the advice of the Commission on Social Welfare on the implementation of the Government's commitment, the Minister for Social Welfare established an Interim Board of the Combat Poverty Organisation to advise on the structure of a permanent organisation. The Interim Board has submitted its recommendations to the Minister on the proposed new organisation and on the Irish input into the forthcoming EEC poverty programme.

5.66 Proposals for a second Community-wide programme of action to combat poverty have been drawn up by the EEC Commission, and are welcomed by the Government. The Commission proposals envisage a programme running for five years from 1985 under which the EEC would support various types of action and research in the field of poverty. They suggest a particular concentration of measures to help Governments deal with the problems of the long-term unemployed, jobless young people, the elderly, single parent families and "marginal" groups who are outside the reach of existing social welfare protection.

Enforcement of the Social Welfare Code

5.67 At a time when unemployment is so pervasive in society we must, while acting to stop and reverse its upward trend, ensure adequate support for the unemployed.

5.68 The Government reject the false view, held by some sections of society, that unemployment is in some sense the "fault" of the individual involved, and that he/she should be punished by being made to engage in work which might be totally unsuited to the age, skill, mental or physical condition

of the person involved. The great majority of those unemployed are without work through no fault of their own, and are genuinely seeking a job. For the minority who decide to turn down suitable work, and especially for those who are engaged in the "black economy", the approach must and will be the proper and rigorous application of the social welfare code. On this basis a claimant for social welfare benefit may be disqualified if he/she refuses an offer of suitable employment, declines to undergo suitable training provided or approved by AnCO or fails or neglects to avail of any reasonable opportunity to obtain suitable employment. The level of penalties prescribed in social welfare legislation where persons are found guilty of offences under that legislation will also be increased. These penalties will apply, for instance, to an employer who knowingly aids or assists an employee in any way to obtain social welfare payments improperly. On summary conviction, the maximum fine will be increased from £500 to £1,000 and, on conviction on indictment, from £2,000 to £3,000.

5.69 The Government have decided on a substantial increase in the size of the Special Investigation Unit in the Department of Social Welfare which is charged with the enforcement of the regulations.

YOUTH

5.70 The Government, by establishing the National Youth Policy Committee (NYPC), have commenced the process of adopting a National Youth Policy which will have its own distinct purposes but would interact with other policies and measures. The policy will be aimed at assisting all young people to become self-reliant, responsible and active participants in society. It will include:

- a clear philosophy of youth development and a statement of principles to guide Government policies;
- an objective assessment of the factual position of young people in contemporary Ireland;
- a detailed plan for the provision of services to young people generally and disadvantaged young people in particular;

- provision for the participation and involvement of young people in an active way at all levels in Irish society.

5.71 The NYPC Report is being published immediately to give interested bodies an opportunity to respond. When they have considered the Report and the responses, the Government will establish their National Youth Policy in time for International Youth Year 1985. Already the Government have decided to allocate an additional £500,000 to the implementation of the Youth Policy, targeted particularly at deprived areas.

HOUSING

5.72 The central objective of housing policy is to ensure that, as far as the resources of the economy permit, every household can obtain a house of good standard, located in an acceptable environment at a price or rent they can afford. Rapid population growth and an even greater growth in household formation have given rise to a continuing high need for housing which will persist beyond the present decade. These factors have made the expansion of the housing stock by new building the primary emphasis in housing policy, but conservation, improvement and the best use of existing houses have also been encouraged. A report on future housing requirements by the NESC (No. 69) was published in May, 1983, and the Department of the Environment is arranging for its updating to take account of demographic, economic and other trends in the meantime.

5.73 The recession has inevitably weakened the effective demand for private houses in recent years. An increase in the number of new houses provided by local authorities has partially offset a fall in private housing output. That fall would have been greater but for the operations of the Housing Finance Agency, which since 1982 has been providing loans repayable on an income-related basis, and also for the other incentives for private housing.

5.74 The proper ordering of the significant national resources involved in housing is a prime concern of this Plan. Private housing will continue, as in the past, to meet the requirements of most households and this objective is helped by the provision of appropriate financial incentives to assist persons of modest means to buy their own houses. It is clear, however, that a substantial programme of local authority houses will have to be maintained to cater for persons of limited means and for new needs emerging from the elderly, the homeless, travellers, single parent families and other disadvantaged groups. But local authority housing is an expensive social resource and full value must be had both in its construction and in its allocation to deserving persons.

5.75 The Government have taken a number of decisions in pursuit of the objectives relating to both public and private housing. These are set out in the following paragraphs.

Private Housing

5.76 The Government have decided to introduce a non-repayable grant of £5,000 for a local authority tenant of three years' standing or a local authority tenant purchaser buying a private house and giving up a local authority dwelling suitable for letting to a housing applicant. Details of the conditions which apply to this grant will be announced shortly by the Minister for the Environment.

5.77 Joint venture housing will be further promoted as another means of encouraging people to buy private houses. The arrangements involve the construction of houses by private builders under licence on lands owned by local authorities for sale to local authority tenants and tenant purchasers, and to persons accepted for housing by local authorities. Housing Finance Agency or local authority loans and the other incentives to first time purchasers will be available as appropriate for the purchase of joint venture houses.

5.78 The Government regard the £1,000 grant and the £3,000 mortgage subsidy as indispensable incentives to private housing which also reduce pressures on local authority housing. Because they are restricted to first time purchasers, both schemes embody an appropriate selectivity and the Government intend to retain them. The Government have not accepted the National Planning Board recommendations on this matter.

5.79 As a further measure to encourage the purchase of private houses by persons of modest means, a subsidy is given for the provision of developed sites by local authorities. This subsidy was recently increased to a value equivalent to £1,000.

5.80 The provision of residential accommodation for private renting will be supported by an extension of the relevant tax incentives to be effected in next year's Finance Bill. This will apply to the refurbishing of houses now or previously let in multiple occupation. This proposal should benefit inner city areas where virtually all new housing in recent times has been provided through the local authority housing programme.

5.81 The need for bridging finance is often a considerable expense in housing transactions. The Government have decided to seek a radical streamlining of house purchase procedures, in consultation with the financial institutions involved.

5.82 The high cost of conveyancing also adds to the expenses of house purchase. The Government are satisfied that such costs can, in many cases, be greatly reduced and will devise ways of achieving this.

5.83 A number of possibilities have been broached with the Government for the provision by financial institutions of accommodation which could be rented or occupied on some other form of tenure such as co-ownership/equity sharing. These will be examined to see if they offer practical means of supplementing the measures already described in this Chapter

to ease the demand for and reduce the cost of local authority housing.

Local Authority Housing

5.84 The Government are determined to get greater value for money from the local authority housing programme. Already new cost control procedures have been introduced, without adverse effects on standards, and are yielding significant improvements in unit costs. The Department of the Environment is examining the consistency of local authority procedures for the allocation of tenancies. Future housing capital allocations to local authorities will be based on the results of this examination.

5.85 There is a direct link between local authority rent levels and the size of their housing programme, since low rents inflate the demand for local authority housing, discourage tenants from buying their own houses and worsen the burden of ongoing subsidies. Assuming sufficient progress in relation to rent levels, the Government will:

(a) provide accommodation annually for 9,000 households on waiting lists by building 6,000 new houses a year and by seeking to ensure that about 3,000 houses from the existing stock are available for re-letting; and

(b) ease the demand for local authority housing by retaining the present range of incentives to private housing (which cater particularly for people on local authority waiting lists) and by promoting a number of new measures (outlined above) to facilitate local authority tenants to avail of private housing.

5.86 The average weekly rent paid by all local authority tenants in 1983 was about £7; for new lettings made that year the average rent was some £10 weekly. Many tenants are unemployed or otherwise dependent on social welfare, but many are paying rents that are too low in relation to their

incomes. The Government are satisfied that rents should be raised progressively to a level more in line with the actual costs of local authority housing. Changes in rent levels will be made within the framework of the differential rents scheme which ensures that rents are reasonable in relation to family incomes.

5.87 The Government have decided that local authorities should purchase new or second-hand private houses as an addition to their rented housing stock where, as may be the case at present, market conditions make this advantageous. Besides the financial economies of this arrangement, it will help to secure a better social mix and give local authorities greater scope to meet the locational requirements of tenants. A small number of local authorities have already purchased houses in this way.

5.88 The statutory provisions on the management and letting of local authority housing are being reviewed to ensure that the needs of particular categories of persons, such as the homeless, the aged, the disabled, travellers and single parent families, will get due priority in the formulation of building programmes and the allocation of tenancies.

5.89 The high cost of maintaining local authority housing is partly due to local authorities, on demand, taking responsibility for relatively minor repairs and maintenance. In many cases tenants are prepared to do this work themselves and in the Government's view it is reasonable that this should be a general practice. Local authorities will not in future undertake minor repairs or maintenance of a routine nature except where compassionate circumstances are involved.

5.90 Tenant purchase arrangements for local authority dwellings have not so far affected the sale of flats. The Government believe that tenant purchase of flats, involving appropriate co-operative arrangements, is a socially desirable objective and will ensure that workable arrangements are devised.

5.91 Serious deterioration is affecting certain rented houses, mostly built under low-cost arrangements in the relatively recent past, as well as some older rented local authority housing. Major works of a structural nature are needed if these houses are to continue to be suitable for renting. Local authorities will be allowed to assign limited funds from their annual allocation for local authority housing for improvements to these houses, where this would represent good value for money. These funds will attract loan charges subsidy.

5.92 A small number of local authority housing estates, especially in larger urban areas, have serious difficulties of anti-social behaviour, vandalism and other community problems. Local authorities will be facilitated to carry out special environmental and other improvements to ease the problems of these areas. Worthwhile results should be possible at a relatively small cost which will be well justified on social grounds.

CO-OPERATION WITH DEVELOPING COUNTRIES

5.93 In the same way that we recognise, in planning for our own national development, a responsibility to assist the poor and disadvantaged in our society, we accept that we have an obligation to help poorer countries to overcome poverty, hunger, ignorance and disease. We also recognise that we live in an interdependent world; that rich and poor countries depend upon each other for their future mutual growth and prosperity. In other words, as a small country critically dependent on exports of both goods and services, we have much to gain in the long term from higher living standards and greater economic activity in developing countries. Lastly, we recognise, with the rest of the international community, that we cannot plan for our own nation's prosperity except in the context of a stable international system, a stability which under-development in other countries threatens to undermine.

5.94 It was in this context that the Irish Government have, since the early 1950's, been contributing to the various aid programmes run by the United Nations and its specialised

agencies. On joining the EEC in 1973, we also began to participate in the very considerable aid activities of the Community. This was followed in 1974 by the establishment of a programme of Irish bilateral aid. Ireland's relations with developing countries were thus established in a coherent and comprehensive policy framework. Since then, total Official Development Assistance (ODA) in current prices has risen substantially, from approximately £1.5 million to almost £34 million in 1984. Expressed as a percentage of GNP, the average annual rate of increase has been of the order of 0.015 per cent reaching 0.23 per cent in 1984.

5.95 While the principal objective of Ireland's ODA is humanitarian in character, the Irish economy also benefits both directly and indirectly, in terms of the employment provided and the promotion of exports of goods and services.

5.96 Most developed countries, including our own, are committed to the established UN target of 0.7 per cent of GNP for ODA, in particular because of the acute problems of the poorest countries which are highly dependent on ODA. While the Government are committed to achieving this target within an appropriate time-frame and as economic circumstances permit, and had set themselves the ambitious objective of progressing towards it at an annual rate of 0.05 per cent of GNP, actual growth in Irish ODA since 1974 has averaged about 0.015 per cent of GNP per annum. Despite the present climate of exceptional budgetary restraint, the Government will, during the period of the Plan, maintain the rate of increase in ODA already achieved. This will involve a 47 per cent increase in total ODA from almost £34 million to £50 million, for which provision has been made during the period of the Plan. This commitment will allow more effective forward planning, which is so desirable particularly as regards the bilateral elements of ODA. The possibility of implementing the higher rate of increase previously envisaged will be reviewed in the light of future economic circumstances.

Chapter 6

Taxation

INTRODUCTION

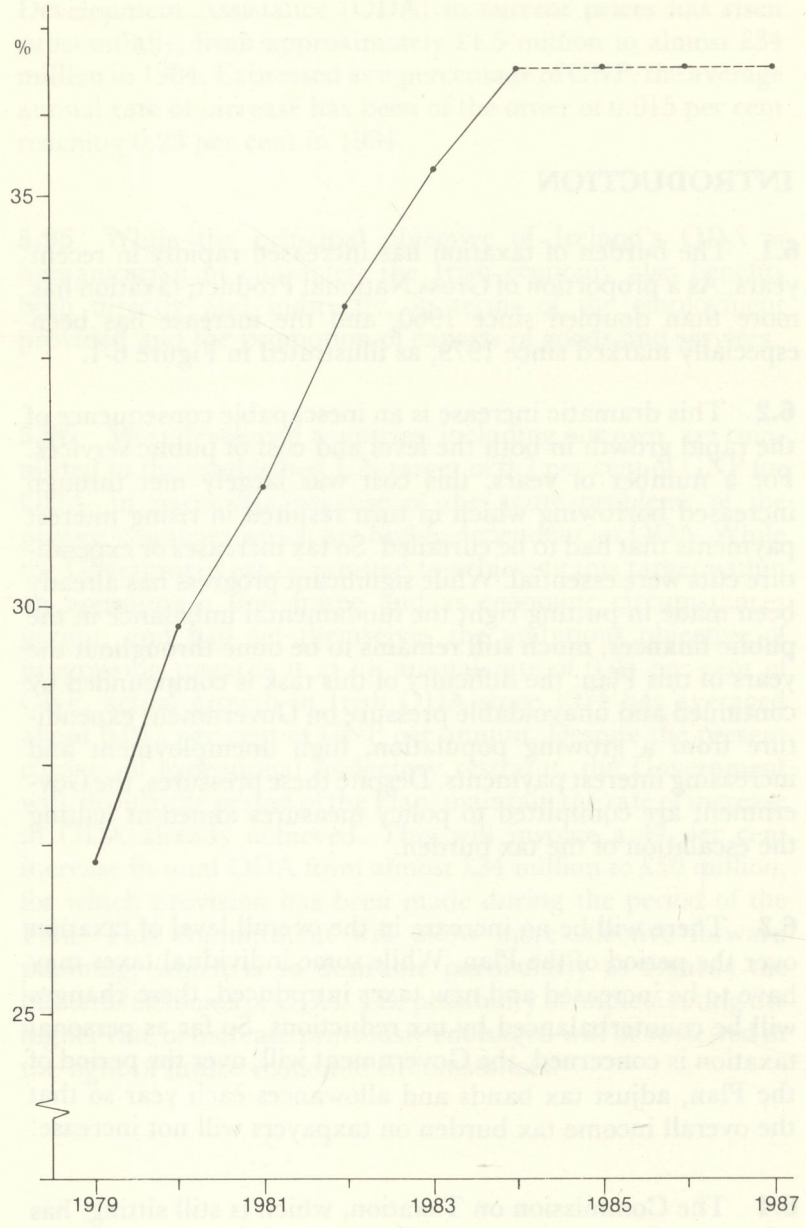
6.1 The burden of taxation has increased rapidly in recent years. As a proportion of Gross National Product, taxation has more than doubled since 1960, and the increase has been especially marked since 1979, as illustrated in Figure 6-1.

6.2 This dramatic increase is an inescapable consequence of the rapid growth in both the level and cost of public services. For a number of years, this cost was largely met through increased borrowing which in turn resulted in rising interest payments that had to be curtailed. So tax increases or expenditure cuts were essential. While significant progress has already been made in putting right the fundamental imbalance in the public finances, much still remains to be done throughout the years of this Plan: the difficulty of this task is compounded by continued and unavoidable pressure on Government expenditure from a growing population, high unemployment and increasing interest payments. Despite these pressures, the Government are committed to policy measures aimed at halting the escalation of the tax burden.

6.3 There will be no increase in the overall level of taxation over the period of the Plan. While some individual taxes may have to be increased and new taxes introduced, these changes will be counterbalanced by tax reductions. So far as personal taxation is concerned, the Government will, over the period of the Plan, adjust tax bands and allowances each year so that the overall income tax burden on taxpayers will not increase.

6.4 The Commission on Taxation, which is still sitting, has

Figure 6-1
TAXATION AS % OF GNP 1979-87



proposed that fundamental changes be made in our taxation system. The Commission has presented a comprehensive series of recommendations for complete long-term reform of the tax system. These recommendations provide for a major widening of the direct tax base with a single low rate of tax, associated with a direct expenditure tax for those at the higher end of the income scale. This would mean that taxpayers generally, irrespective of their income, would be chargeable to income tax at the same rate and existing exemptions and reliefs, such as mortgage interest relief, would be largely withdrawn.

6.5 The Government consider that the main proposals of the Commission are not practicable in present circumstances, because of the hardship they would involve for many taxpayers, particularly for those on lower incomes, and because of the loss of revenue which would result. Hardship for taxpayers could be avoided only if the single rate were pitched at such a low level that revenue would be seriously reduced. The Commission's proposals would be particularly severe for those on low incomes as the burden of tax would have to increase for them as it was being reduced for others. While in principle a direct expenditure tax might be attractive, in practice it would give rise to major problems both for taxpayers and the Revenue authorities. It is accepted, however, that the tax base should be extended and this will be a priority over the period of the Plan.

6.6 The Commission has also made a series of recommendations on tax incentives based on the assumption that its recommendations on the direct tax system will be implemented. On indirect tax the approach of the Commission relies partly on indexation of excise duties. In present circumstances, full indexation of these duties may not be a feasible option. The Commission also recommends the introduction of a single rate of VAT on an expanded base and the elimination of stamp duties. These recommendations could involve a substantial loss of revenue, unless food were to be included in the new single-rate VAT, which would involve an increase of about 15 per cent in food prices.

TAXES ON PERSONAL INCOME

6.7 Personal income tax is the largest single source of revenue for the Exchequer. Almost £2 billion will be collected in income tax this year. The employee PRSI contributions, health contributions, the youth employment levy and the income levy are also income-related, and between them add over £500 million to revenue.

6.8 At present there are five separate tax charges on personal income:

—income tax—with allowances, reliefs and progressive rates;

—PRSI—with no allowances (other than superannuation contributions) and charged at a flat rate on certain employee income up to an income limit;

—health contributions—chargeable on income as for PRSI at a flat rate up to a different income limit than PRSI;

—Youth Employment Levy—chargeable on income as for PRSI with no income limit;

—Income Levy—chargeable on income as for PRSI but with low income relief and no income limit.

The intention is to phase out the Income Levy as soon as resources permit.

6.9 Both the National Planning Board and the Commission on Taxation have recommended that short-term social welfare benefits (e.g. disability and unemployment benefits) be subject to income tax. The purpose of this is to bring greater equity between people at the same level of income. If a person's total income including social welfare benefits is such as to attract an income tax liability, then there is a persuasive case for equal treatment with other sources of income. The taxation of short-term payments, however, presents formidable administrative problems, particularly where it would have to operate side by

side with the PAYE system. At the present stage of administration of these payments, the introduction of taxation could not be done without seriously impeding day-to-day payments. However, developments are taking place in modernising the administration of social welfare schemes and the application of large scale programmes of computerisation should make it possible within the period of the Plan to initiate this change.

6.10 Another feature of the tax code which is inequitable is the duplication of reliefs with identical or similar reliefs under the social welfare code. These typically benefit the better-off more than the poor. The Government are of the view that financial assistance to those in need is best provided through the social welfare code and they will aim to consolidate as many secondary tax allowances as possible with social welfare payments. In particular, as discussed in Chapter 5, it is intended to restructure the pattern of State support for children so as to concentrate to a greater extent on the needs of those with lower incomes and larger families.

INDIRECT TAXATION

6.11 Value-added tax accounted for just over 25 per cent of total tax revenue in 1983. VAT rates on a wide range of goods are too high and reductions would have a beneficial effect on the economy. VAT is levied at six different rates. This structure is too complicated, leads to serious anomalies, and involves both taxpayers and the Revenue Commissioners in much unnecessary work.

6.12 The top VAT rates are high because a wide range of goods is zero-rated or liable at a low rate. If rates are to come down significantly it will be necessary to extend progressively the coverage of items. If VAT were applied across the board at a uniform rate on all items which can be subject to this tax under EEC law, then the same yield could be achieved with a rate of the order of 15 per cent. This would require that VAT at this level be imposed on all food items, with a corresponding increase in food prices. A uniform rate of VAT is not, therefore,

feasible in the foreseeable future. Progress will be made, however, towards reducing the high rates on a selective basis and, at the same time, reducing insofar as possible the number of rates. Public expenditure and taxation policy generally will take full account of any adverse effect of VAT changes on the lower income groups.

6.13 There will be a reduction in VAT on newspaper sales during the period of the Plan in order to bring the Irish VAT rate more into line with rates in the EEC generally to the extent that this is possible. The first phase of the reduction will take effect from next March and will be from 23 per cent to 18 per cent.

6.14 Excise duties are also high but are a major and necessary source of revenue. High excise duties have, however, in some instances led to substantial distortion of trade. As a step towards correcting this situation, there will be an early reduction in the duty on spirits.

CAPITAL TAXATION

6.15 Capital taxes, as generally understood in Ireland, are relatively low in terms of their yield to the Exchequer. There are varying definitions as to what constitutes capital taxation and figures on yield vary substantially depending upon what base is used. However, the base for capital taxation was narrowed significantly by the abolition of domestic rates and wealth tax, and the ending of agricultural rates. The residential property tax, moreover, has been disappointingly small in terms of revenue yield to date. The Government consider that the yield from capital taxation should be increased in the interests of equity and visible re-distribution of wealth in society. At the same time, new measures must minimise the risk of adverse consequences on productive investment and employment creation. Substantial reform of taxation of gifts and inheritances was undertaken in the Finance Act, 1984. Following this reform, capital transfers are taxed comprehensively on a lifetime accessions basis. It is anticipated that the

revenue from this source, while not significant at first, will grow appreciably in later years.

FARM TAX

6.16 The present system of taxing farm incomes gives rise to practical problems in terms of administration and collection and of compliance by taxpayers. Having regard to these difficulties, the Government have decided to introduce a new farm tax which will also take into account equity and the desirability of stimulating agricultural output. The farm tax will be levied and collected by the local authorities. It will be based on adjusted acreage, as used in the past by the Land Commission in the distribution of land, adapted for the purposes of taxation. The concept of adjusted acreage is related to the potential productivity of agricultural land. The new tax will apply with effect from 1986 and ultimately all agricultural holdings of twenty adjusted acres and over will be liable for the tax. Farmers with holdings of eighty adjusted acres and over will continue to be liable for income tax, but a credit will be given against income tax in respect of farm tax paid in the year. Full-time farmers with holdings below eighty adjusted acres will be exempted from income tax with effect from the 1986/87 tax year.

6.17 The new arrangements will be designed to increase the yield from farm taxation in 1986 to about twice the level produced by the present system. It is estimated that this would be achieved on the basis of a rate of farm tax of £10 per adjusted acre. Adjustments to the rate of farm tax thereafter will be determined by reference to the level of farm incomes and the development of total tax revenue. The grant in relief of rates on agricultural land will be reduced by the amount of farm tax collected. The tax will therefore be part of the restructuring of local authority financing now being considered by the Government. Administrative arrangements for the classification of agricultural land by reference to adjusted acreage have been put in train, and the necessary legislation is being prepared. It is expected that classification of the greater proportion of holdings of liable land will be completed by 1986.

The remainder will be classified as soon as possible after that. No farm tax liability will apply to a holding until the adjusted acreage is determined. The legislation on the farm tax will provide for a right of appeal against the adjusted acreage determined and for a system of review.

TAX COLLECTION

Evasion of Taxes

6.18 There is little point in legislating for equity in taxation if the incidence of taxation becomes distorted by individuals or groups who manage to evade their fair share of the burden. The Government have already introduced a number of measures which have added to the powers of the Revenue Commissioners in tackling tax evasion. A provision introduced in 1983 enabling the names of tax evaders to be published will help in bringing the problem to the forefront of public awareness. The first such list will be published in 1985. Increased penalties have also been provided for major tax offences committed after June, 1983. Various other measures enabling detailed investigations into tax affairs were enacted in 1983 and are now beginning to show their effect.

Arrears of Unpaid Taxes

6.19 The tax collection apparatus has become clogged in recent years with uncollected or undischarged estimates of liability. Too often, accounts and returns of tax liability are not supplied within a reasonable time and estimates of tax due are ignored with the consequence that collection has to be referred to the agencies of civil enforcement. The dimensions of this problem may be seen from the fact that in 1983 some 96,000 certificates for tax collection were sent to Sheriffs and County Registrars. The problem has been compounded by abuses of the appeals system which is intended to protect the legitimate interests of taxpayers. Substantial changes were made in 1983 in order to counter abuses of the appeals system and these changes are now beginning to have effect. The

whole question of the effectiveness of civil enforcement is being examined in order to provide a more reliable mechanism for collection of taxes due. This will be combined with a more determined approach to dealing with cases where information that is statutorily required has not been supplied.

6.20 Ultimately, the efficient collection of tax depends upon the general willingness of the community to comply with tax requirements. At present there is evidence of significant non-compliance. While there is understandable resistance to the present high levels of taxation, this cannot be accepted as a valid reason for failing to meet obligations.

Chapter 7

Public Finances

THE OVERALL OBJECTIVE

7.1 The long process of correcting the imbalance in the public finances has necessarily dominated economic policy discussion since this process was initiated in mid-1981. At that time, Government expenditure was running so far ahead of tax revenue that the Government deficit and borrowing, both actual and prospective, had reached unsustainable proportions.

7.2 The decisive corrective action which the Government took at that time and since contained the explosive growth in Government borrowing which otherwise would have occurred. This action has allowed the nation to maintain and even improve its creditworthiness abroad but much remains to be done before the continuing growth in the Exchequer's debt and interest payments can be stabilised in relation to national resources (as measured by GNP). It is only when Exchequer debt and interest payments are increasing no faster than national output that the highly damaging pre-emption of an increasing share of that output by interest payments on debt, both external and domestic, can be halted.

7.3 In mid-1981, and for some time thereafter, it seemed feasible to eliminate the current budget deficit by 1987. The current budget deficit is an important indicator of the state of the public finances in that it represents borrowing to finance current spending rather than investment. The emergence of a large current deficit in the 1970s coincided with and largely

contributed to the unsustainable expansion of total Government borrowing. The target of eliminating this deficit was therefore explicitly adopted, although its achievement necessarily depended not only on domestic fiscal measures but also on a generally favourable external environment, including the level of real interest rates.

7.4 Against the target of eliminating the current budget deficit, the fact that it has remained stubbornly high at 7½ per cent of GNP might appear discouraging. However, quite apart from the fact that reclassification of expenditures and revenues arising from the establishment of Bord Telecom Eireann and An Post has had the effect of increasing the current budget deficit, this outcome should be considered in the context of what could have happened to the deficit in the absence of the corrective action taken by successive Governments since mid-1981. In the budgets since July 1981, the total corrective action, through both raising taxation and reducing expenditure has, with the associated savings on debt service, reduced the potential deficit by almost £1,000 million. In other words, the current budget deficit at end-1984 would be almost £1,000 million higher than now expected had no corrective action been taken from July 1981.

7.5 That the current budget deficit is now far below its threatened level is a considerable national achievement. It reflects a commitment to national self-determination. Much of the borrowing required to finance the higher potential current deficit would have had to be raised abroad. The inevitable consequences of a failure to commence the process of restoring balance to the public finances ourselves would have been the imposition of policy constraints by foreign creditors. Such a development would have severely damaged the morale, living standards and social fabric of the nation.

7.6 Nevertheless, despite a sharp reduction in net annual borrowing (Figure 7-1), the accumulated level of both Exchequer total debt and foreign debt has continued to increase as a share of GNP. Moreover, the servicing of this debt, estimated at some £1,710 million in 1984 (11.7 per cent of GNP), still

absorbs an increasing share of our national output year by year. Part of the increase in Exchequer debt servicing costs has been due to the exceptional level of real interest rates in the world economy and part to the unanticipated strength of the US dollar. A further part has been due to the depressing effect on the Irish economy of a much larger and deeper world recession than was foreseen. But, in addition, some has been attributable to the legacy of the past, and to the fact that an adequate adjustment in the public finances has not yet been achieved. This process of correction must be completed if current problems are not to become perennial.

7.7 The adverse international developments since 1981 have made the achievement of the original target of eliminating the current budget deficit much more difficult. With interest rates still so high and the economy just pulling out of recession, it is not desirable to reduce public expenditure or increase taxation to the extent that would be necessary to achieve that target by 1987. The deflationary effect could be so great as to damage severely for many years to come the vitality of the economy.

7.8 The Government have determined the minimum steps which need to be taken to halt the deterioration in the public finance position by 1987. If the economic outlook were to develop differently from that outlined in Chapter 1, the Government would review the position again.

7.9 The position which it is proposed to reach by 1987 is:

—a reduction or at least a stabilisation of Exchequer foreign debt and foreign debt servicing, both as a proportion of GNP;

—a halt to the growth of the overall National Debt/GNP ratio;

—a reduction of the balance of payments deficit to a manageable 3 per cent of GNP;

—a reduction of the Exchequer borrowing requirement to less than 10 per cent of GNP, a level last attained in 1977;

—a reduction of the total public sector borrowing requirement from 17 per cent to just over 11 per cent of GNP;

—a reduction of the current budget deficit to 5 per cent of GNP.

GOVERNMENT EXPENDITURE AND OVERALL ECONOMIC BALANCE

7.10 Persistent imbalance in the public finances has also made a major contribution to imbalance in the economy as a whole. Total domestic expenditure has been exceeding domestic resources by a wide margin, particularly since 1979. In each of the four years 1979 to 1982 the excess, as measured by the balance of payments deficit, was well over 10 per cent of GNP. In 1981, it reached 15.1 per cent. This imbalance in the economy was not only unsustainable but also exceptional by any standard. The measures so far taken by this Government have reduced the external payments deficit but it is still around 5 per cent of GNP and cannot be sustained at that level.

7.11 Much of the excess expenditure which gave rise to these external deficits was financed through foreign borrowing by the Exchequer and semi-state companies. At the same time, domestic savings continued to be drawn on very heavily by the public sector. Total Exchequer borrowing had increased at the time of the first oil crisis and the resultant recession in 1974, as it did in almost all other industrial countries, but was reduced significantly in 1976 and 1977 as the economy climbed out of that recession. Thereafter, however, borrowing by the Exchequer grew substantially from 9.8 per cent of GNP in 1977 to 13.4 per cent of GNP even at the peak of the last economic cycle in 1979 when, under normal circumstances, borrowing would have been reduced to a much lower level. With the recession following the second oil-shock, the Exchequer borrowing requirement deteriorated further to 16.3 per cent of GNP in 1981 and could have reached 20 per cent of GNP in 1982 if sharp corrective action had not been taken.

The more recent upturn in the economy, and this Government's efforts so far, have succeeded in reducing the proportionate size of the Exchequer borrowing requirement to $12\frac{3}{4}$ per cent of GNP in 1984. The foreign component of Exchequer borrowing amounted to over 12 per cent of GNP in 1981 but has since been reduced to an estimated $4\frac{1}{2}$ per cent

7.12 A large proportion of the vast sums borrowed by the public sector was used to finance current public spending and questionable public investments which have not generated the additional revenue required to service the loans. For instance, of the £12 billion borrowed by the Exchequer over the past ten years a total of £6 billion, of which about £4.5 billion arose in the past 5 years, was borrowed for current spending purposes. The cost of servicing and repaying these loans must now be imposed on the rest of the economy and is undermining its ability to support even present living standards, never mind any improvement in those standards.

7.13 Where has the excess expenditure arisen? A comparison of 1984 with 1977 reveals that national resources, as measured by GNP, increased in real terms by 14 per cent. However, the population also increased by some 8 per cent over the same period. Taking account of the change in population, real personal consumption per head this year will be only $1\frac{1}{2}$ per cent more than in 1977 while investment per head will actually be less. By contrast, public consumption per head will be over 18 per cent higher in real terms. Clearly, public consumption has grown at the expense of personal consumption and investment. In this context, it needs to be borne in mind, however, that the increase in public consumption reflected increased and improved provision of public services including education, law and order and health services which, to many people, are of as much benefit as increased personal consumption. On the other hand, the growth in public consumption also reflected increased costs in the public sector (mainly pay) which rose more rapidly than prices in general.

7.14 Public consumption, of course, is only one element of current public spending programmes. As pointed out by the

National Planning Board, other elements, such as National Debt interest and transfer payments, have also increased sharply over recent years.

7.15 There has been a huge increase in debt service payments. Since 1977 the share of debt interest in GNP has doubled and there will be a further increase in 1985. This reflects both a high level of borrowing, which has led to the escalation of the level of the National Debt, and the inappropriate use made of much of that borrowing which has not produced assets to remunerate the debt.

7.16 Transfer payments grew from 12½ per cent of GNP in 1977 to 15 per cent by 1981 and to over 18 per cent by 1984. The vast bulk of this expenditure goes on social welfare and health transfers which have increased substantially in real terms in recent years. Part of this real increase has been due to the recession and the higher level of unemployment, but even more has been due to the improvement in the real rates of payment which have reflected the desire of successive Governments to improve the relative position in society of social welfare beneficiaries. Of the cumulative real increase of 65 per cent in transfer payments to households from 1977 to 1984, almost 18 percentage points were due to the increase in numbers unemployed, over 33 percentage points to real increases in rates of payments and, residually, 5 percentage points to the extension of existing schemes to growing numbers of beneficiaries and to the introduction of new schemes.

7.17 The taxation necessary to finance increased public spending has risen relentlessly and inescapably. Despite the extent to which extensive Exchequer recourse to loan finance has sought to defer tax increases, taxation now amounts to some 10 percentage points more of national resources, as measured by GNP, than it did in 1977, notwithstanding the increase in GNP over this period.

7.18 The preceding Chapter on taxation points out that there is a limit to the proportion of national resources that

can be raised through Exchequer taxation. The Government consider that limit to be of the order of the 36½ per cent of GNP raised this year.

CURRENT EXPENDITURE

Overall Position

7.19 Based on Exchequer taxation of 36½ per cent of GNP and non-tax revenue of some 4½ per cent of GNP, the total revenue potential for budget purposes in 1987 will be some 41 per cent of GNP. The reduction of the current budget deficit to 5 per cent of GNP implies that total current spending cannot exceed 46 per cent of GNP in 1987. Current public spending, as defined for budget purposes, amounts to 47¼ per cent of GNP this year. In order to contain current Exchequer spending within 46 per cent of GNP in 1987, and allowing for the pre-emption of revenue for Central Fund services, mainly the servicing of debt and the Irish contribution to the EEC Budget which are not subject to the annual discretionary vote of the Dáil, there will have to be significant reductions in the relative size of the expenditure allocations for other purposes. These voted allocations amounted to some £5,120 million or almost 35 per cent of GNP in 1984. Despite the required reduction in their relative size by 1987, when they should not exceed 33 per cent of GNP, these voted allocations will nevertheless amount to over £6,000 million at that time. The following decisions must be viewed in that light.

7.20 Pay accounts for the largest share of voted current spending. Achievement of the Government's public expenditure target requires the growth in the public service pay bill to be severely restricted. This allows for little nominal change in the pay bill in 1985, followed by a moderate increase over the remaining period of the Plan. If all the restriction in growth of the pay bill were to be made through a reduction in the numbers employed, there would be a heavy impact on unemployment as well as a sharp deterioration of a whole range of public services. Restraint in the pay bill must, therefore, be achieved primarily by curtailing the growth in average pay

per head if severe reductions in public service staffing are to be avoided. Despite the state of the public finances the Government are prepared to honour special increases sanctioned to date or already committed. But it is not possible to provide for any further special increases over the period of the Plan.

7.21 Against this background, the Government have decided that the Exchequer provision for pay and pensions over the period of the Plan cannot exceed:

—1985	£2,400 million
—1986	£2,525 million
—1987	£2,700 million.

The above figures, which compare with the budget allocation of £2,376 million for 1984, include provision for the phasing in of special increases sanctioned or already committed; they also take account of proposed changes in numbers of staff.

7.22 It is the Government's hope that public service employees who have relatively secure jobs will accept that the national interest requires a policy of this kind if new jobs are to be created for our young people and for those at present unemployed.

7.23 Some further savings will be made by identifying and eliminating wasteful or unproductive expenditure and by other efficiency improvements. This route to cost-reduction, though of crucial importance, is slow and uncertain in magnitude, as has been proven by experience both abroad and at home. The Government, therefore, have identified a number of other specific measures which will be taken to contain total current spending within 46 per cent of GNP in 1987. For instance, the Government have decided to eliminate or reduce some services, the value of which is not commensurate with their cost — such as the Land Commission, as already announced — or which mainly benefit the better-off — such as the malicious injuries scheme.

7.24 The Government have also reduced by half the food subsidies, introduced in 1975 when inflation was running at 21 per cent. The timing of this reduction, coinciding with a sharp drop in potato prices which had been at an exceptionally high level, has left the overall cost of food, and indeed of the foodstuffs most used by less well-off people, unchanged between mid-May and mid-August. Moreover, the increased social welfare provisions introduced a few weeks earlier were set at a level that matches the present inflation rate and is somewhat higher than the rate of inflation expected to mid-1985. The impact in the case of working families with low incomes has been offset by the introduction of the Family Income Supplement, entitlement to which has been brought forward to 1 September, 1984.

7.25 In addition to these measures already announced, the decision in relation to public service and parliamentary pay, and the elimination of wasteful or unproductive expenditures, a number of other policy decisions have also been taken with the objective of reducing current public expenditure as a proportion of GNP. In particular these include

—rationalisation of State bodies, some of which have been mentioned earlier, while the details of others will be announced shortly;

—limitation of Rate Support Grants;

—suspension of the Coastal Protection Service for the duration of the Plan period;

—limitation on allocations for opening of new hospital units;

—limitation of rate support grants;

—curbs on recruitment to local authorities, health boards and grant-aided bodies to complement the embargo on replacement of two out of three vacancies in the Civil Service which will be maintained;

—reductions in the cost of the health service by increases in charges for private and semi-private patients, and secur-

ing contributions from consultants for private use of public facilities;

Further reductions in food subsidies will be deferred until the introduction of the Child Benefit Scheme which will compensate low-income families for increased food costs.

7.26 Details of the planned current expenditure allocations for Departmental groups are given in the following paragraphs which also identify some significant increases being provided for in particular key areas, while Table 7-1 sets out these allocations by Ministerial Group.

TABLE 7-1

Current supply services expenditure by Ministerial Group[1]

Ministerial Group	Budget Provision 1984[2]	Planned provisions		
		1985	1986	1987
	£m	£m	£m	£m
Taoiseach (excluding CSO)	8	11	10	11
CSO	6	7	12	9
Finance...	192	211	217	235
Public Service	52	54	59	65
Justice	285	308	331	365
Environment	533	580	638	695
Education	842	850	904	987
Fisheries/Forestry	29	30	31	32
Gaeltacht	7	7	7	8
Labour	107	145	150	158
Agriculture (excluding food subsidies)	184	199	198	198
Industry, Trade, Commerce and Tourism (excluding food subsidies)	101	111	114	121
Food Subsidies	97	51	2	2
Communications	116	117	121	142
Defence	264	279	291	303
Foreign Affairs (excluding ODA)	23	24	25	28
ODA[3]	17	21	26	30
Social Welfare	1,254	1,345	1,438	1,543
Health	966	1,019	1,078	1,123
Energy	8	8	8	9
TOTAL[4]...	5,120	5,360	5,630	6,060

[1]The expenditure profiles for 1985 to 1987 are subject to variation in the light of the annual estimates procedure.

[2]The 1984 total includes a provision of £54 million for extra remuneration which is not reflected in the individual Departmental provisions.

[3]Certain ODA items are also included in the Central Fund services and in other Departmental Votes and these increase the total of £34 million for all ODA in 1984 to £50 million by 1987.

[4]The above totals are net of Departmental balances.

7.27 Justice The present strength of the Garda Force, at 11,400, is some 600 higher than when the Government took office at end-1982. This strength will be maintained during the 3-year period of the Plan. Garda overtime will be limited to a cash provision of £12 million by 1987.

7.28 The Criminal Injuries Compensation Scheme, which provides compensation to persons injured as a result of the activities of criminals, is proving very costly for the Exchequer. It has been necessary to double the annual provision from its present level of £2 million to £4 million for each of the years 1985-87. The Minister for Justice will review the conditions of the Scheme with a view to reducing its impact on the Exchequer.

7.29 Court and Land Registry fees will continue to be increased annually in line with the increasing cost of providing these services.

7.30 Planned expenditure provides for the introduction of the Community Service Orders Scheme which will substitute community service for custodial sentences in certain cases. Financial provision will also be made for the introduction of new garda complaints procedures, and for the strengthening of the Department's forensic services.

7.31 Environment The projected non-capital expenditure by the Department of the Environment for 1987 is £695 million. The bulk of this expenditure will go to finance services provided by local authorities. The 1987 figure represents a 30 per cent increase over the 1984 Budget estimate, which is principally due to increased subsidies for debt service on capital expenditure by local authorities. At present Exchequer funding of local authorities amounts to nearly two-thirds of their non-capital expenditure. This level of funding from Central Government is considered to be too high and cannot be sustained.

7.32 Over 50 per cent of the Exchequer current account funding of local authorities is paid in the form of a Rates Support Grant. This grant covers the balance between the resources that local authorities generate locally together with other block grants and their overall expenditure. The allocations decided on by Government will provide for only modest increases in this grant over the period

of the Plan. The level of the grant will be kept under review in the light of the ongoing review of local authority finances, including the provisions for a farm tax. Local authorities will be expected to meet any financial difficulties which may arise by a combination of better management of available resources, and the further generation of local sources of revenue.

7.33 Education In deciding on allocations for Education in the period of the Plan, increases of ½ per cent a year in enrolments at primary level had to be budgeted for, as had increases of 2 per cent per annum at second-level. Enrolment increases at third-level are more difficult to forecast but an average annual increase of 4 per cent has been assumed for planning purposes.

7.34 In addition to the above, the Government wish to make the improvements to the education system listed in Chapter 5. In order to contribute towards the financing of these improvements, it has been decided that some relatively minor savings will be effected as follows:

—higher education fees will increase somewhat faster than the rate of inflation;

—school transport charges will be raised (The £29 million Exchequer subsidy for this system amounts to almost £200 per annum per child using it);

—new students in primary teacher training colleges and colleges of home economics will be charged separately for tuition and accommodation and the Higher Education Grant Scheme will apply to them.

7.35 Agriculture The Government's decision to abolish the Land Commission has already been announced. The precise arrangements to give effect to that decision are under consideration and it is intended that implementing legislation will be placed before the Oireachtas by the end of the year.

7.36 The Government have also decided to make a fresh onslaught on bovine disease, particularly tuberculosis. Substantially increased funds will be made available for disease eradication, including an additional provision for stock replacement, subject to a number of radical changes in existing practices. These changes include:

—farmer nomination to be replaced by direct Department of Agriculture nomination of veterinary surgeons to carry out all testing and blood sampling (other than thirty day testing) under the bovine TB and brucellosis eradication programmes;

—testing and blood sampling fees to be paid direct by the Department to the veterinary surgeon who carries out these operations and who will be personally responsible for their proper execution;

—payment of reactor grants to be made on condition that removal of reactor animals from farms direct for slaughter is made within a maximum of ten days from the date the herdowner is notified to remove the animal;

—tight official supervision of all trading at marts, including, where necessary, control of trading hours;

—strict enforcement of all procedures and prosecution in all cases of detected breaches of the law and regulations relating to disease eradication;

—establishment of a central Epidemiology Unit in the Department of Agriculture to co-ordinate and assist in the analysis of disease outbreaks, prevention of disease spread, etc.

7.37 The Government have decided to double, from November 1984 to end-1985, the disease eradication levy paid by farmers to 0.6p per gallon of milk and to £3.80 per animal slaughtered or exported, to raise an additional £7 million in 1985.

7.38 In order to encourage expansion in beef cow numbers the Government propose to increase the headage grants payable under the Disadvantaged Area Scheme on beef cows of recognised breeds in herds not producing milk for sale. Some 75 per cent of beef cows are located in the Disadvantaged Areas. As the increase from £32 to £70 per beef cow is subject to clearance by the EEC and as beef cow herdowners require adequate notice to expand numbers, it is proposed to introduce the new rates in the year commencing 1 January, 1986.

7.39 Fisheries The fisheries allocation for the period 1985 to 1987 includes an increased provision for exploratory fishing, to discover and exploit new fishing grounds and for marketing, to enhance fishermen's returns from the market place.

7.40 Labour In view of the serious unemployment problem facing the country, expenditure on the existing manpower and work experience programmes is being expanded. With the success of the Enterprise Allowance Scheme in 1984, when it is estimated that over 5,000 people will take up the opportunity to establish their own business, the Government have decided to allocate sufficient funds to the scheme over the period of the Plan to meet demand. As made clear in Chapter 4, the serious problems faced by the long-term unemployed are recognised by the Government. In addition to the Social Employment scheme and the "Alternance" scheme described in Chapter 4, and in order to take account of the problems faced by the older, unemployed person, the Government will make provision for AnCO to increase substantially the numbers of people participating in training schemes for the over-25s. To underline their commitment to young people, the Government have decided to allocate funds over the period of the Plan for new projects under the Programme for Recreational Facilities

7.41 Industry, Trade, Commerce and Tourism Chapter 13 of the White Paper *Industrial Policy* adverted to the wide diffusion of responsibility for various aspects of industrial policy. It considered that the growing number and functions of State agencies involved in industrial development were not conducive to providing the best and most cost-effective services to industry. The White Paper listed various measures which had been decided on to improve co-ordination between the agencies.

7.42 The Government have fixed the current expenditure allocation for the Department of Industry, Trade, Commerce and Tourism over the period of the Plan on the basis of rationalising the functions and reducing the number of State agencies, particularly in the areas of competition policy, research and technology and tourism.

7.43 CTT's activities will be expanded to reflect the extra responsibilities envisaged for it in the White Paper *Industrial Policy,* with the objective of addressing identified weaknesses in marketing by Irish exporters and raising the level of their export performance.

7.44 Communications The Plan makes provision for current expenditure by the Department of Communications of approximately £380 million in the three years. The subvention to CIE will account for the major portion of this expenditure. Chapter 3 outlines the decisions which have been taken by the Government in relation to the future of CIE. These and the other measures which are being introduced

by the Government in the area of transport policy are intended to achieve a significant improvement in the quality of transport services.

7.45 The Health Services The level of resources available to the health services during the period of the Plan will necessarily be constrained. But the Government have decided that health services which are essential to the well-being of the community must continue to be maintained.

7.46 The Government remain fully committed to fulfilling the social obligation which society owes to all who may find themselves in need of health care. Health services will be available either free or at tolerable levels of cost to all those who need them.

7.47 *Health Staffing* The overall number of health staff in the various agencies has grown very considerably during the past fifteen years — from 40,000 to 60,000. About two-thirds of all health expenditure is in the pay area and accordingly the Government intend to achieve savings in payroll costs ranging from £10 million in 1985 to £30 million in 1987 in the health services generally. These savings will be achieved through a combination of measures and will involve redeployment of some staff, and a reduction in overall staffing levels.

7.48 *Health Charges* In relation to public hospital services, the Government have decided to increase existing private and semi-private in-patient charges from 1 January, 1985.

7.49 Negotiations will be resumed on the question of the arrangements to be made to secure payments from hospital consultants in respect of their use of State-provided facilities when treating private patients, beginning in 1985.

7.50 The increase in hospital charges and the payment from consultants will yield savings of about £6 million in 1985.

7.51 *Working Party on the General Medical Services* The Working Party on the General Medical Services, in its recent report, pointed the way to a more effective service to the most disadvantaged in our society. The Government agree with the broad thrust of those recommendations and intend, through negotiation, to improve the efficiency and effectiveness of the General Medical Services on the lines

proposed. It is intended to make a substantial saving in the drugs area in 1985: these savings will increase in later years.

7.52 *General Strategy* Improvements have been made to the infrastructure of the health service in recent years, particularly in the area of hospital services. The period ahead, the Government have decided, will be one during which the emphasis will lie on rationalising the existing system of health facilities.

7.53 Projects now under construction, when complete, will afford opportunity for improved care in modern, up-to-date surroundings. Such new facilities will be treated, largely, as replacements for existing out-dated institutions rather than as additions to the overall system. In the process of rationalisation, hospitals and other institutions which are redundant to the essential requirement of the services will be closed. This will be a major factor in the programme to secure reductions in overall staffing levels.

7.54 The Government are setting aside funds to enable a small number of improvements to be effected in community services, notably for children, the disadvantaged and the handicapped.

7.55 In the light of the very limited resources available to the health services targeted in this plan, it is essential that efforts to contain expenditure within approved levels in 1984 are maintained and, where necessary, intensified, so as to avoid the very serious future implications of excess expenditure in the current year.

7.56 The Government are confident that the dedicated staff in our health services will co-operate with whatever controls may be necessary because of the economic circumstances of our country while ensuring the well-being of their patients at all times.

7.57 Social Welfare Social Welfare is one of the largest elements in current public expenditure at some 25 per cent of the total. A great deal of the growth in these transfer payments is attributable to the major increase in the number of unemployed, the increasing number of pensioners and other beneficiaries and the real increases in benefit rates in recent years. Social Welfare transfers grew from $9\frac{1}{2}$ per cent of GNP in 1977 to $11\frac{1}{2}$ per cent by 1981 and to 14 per cent by 1984.

7.58 In planning the massive allocation for Social Welfare payments, a critically important consideration for the Government has

been the high level of unemployment in the economy arising from the combination of the recession and a rapidly growing labour force. The rise in unemployment has imposed an increasing burden on the Exchequer. Major additional Exchequer resources will continue to have to be provided for the unemployed. In 1982 unemployment related expenditure was £345 million, in 1983 it was £454 million and in 1984 is estimated at £526 million or £10 million per week.

7.59 The Government have committed themselves to keeping long-term payments at least in line with inflation and short-term unemployment and disability payments in line with take-home pay.

7.60 In the light of the above considerations, the Government have made provision in the Plan for an increase of 28 per cent by 1987 on the expected 1984 outturn for Social Welfare.

7.61 Official Development Assistance The Government have decided to increase total Official Development Assistance (ODA) annually over the period 1985 to 1987 by 0.015 per cent of GNP. This will involve a 47 per cent increase in total ODA from almost £34 million in 1984 to £50 million by 1987.

CAPITAL EXPENDITURE

Introduction

7.62 The central aim of the Government's policy on the public finances for the period of the Plan is to halt the deterioration in the public finances by bringing debt under control. This requires the reduction of the Exchequer borrowing requirement of $12\frac{3}{4}$ per cent of GNP this year to some $9\frac{3}{4}$ per cent of GNP by 1987. The reductions in current spending programmes will enable the current budget deficit to be brought down from $7\frac{1}{2}$ per cent of GNP in 1984 to 5 per cent of GNP in 1987. This will be an important contribution to containing the rate of increase in the Exchequer debt but it will not be sufficient on its own to halt the growth of the National Debt/GNP ratio. Borrowing for capital purposes must also make a contribution to this objective for 1987 but will be reduced by less than one percentage point of GNP by 1987.

7.63 During the period of the Plan, extensive changes will take place in the structure of the Public Capital Programme. The completion of the ESB's investment in additional generating capacity will involve a reduction of £129 million in electricity investment by 1987 when compared with the 1984 provision while the completion of the intensive stage of telecommunications investment will involve a reduction of £75 million under this head by comparison with 1984. The decision to limit further investment in the railways after completion of the present programme for re-equipment will reduce the CIE capital expenditure figure by £25 million.

7.64 These, together with similar reductions in a number of other areas of capital spending, will total over £250 million and reduce the total level of borrowing for capital purposes by well over 1 per cent of GNP, thus leaving room for substantial expansion of investment in a number of important areas. To accommodate the expected increase in grant-aided industrial investment associated with the expected recovery in manufacturing employment and to provide for new IDA grant schemes announced in the White Paper *Industrial Policy*, the total provision for IDA grants will be increased by £33 million or 28 per cent by 1987. Moreover, major increases are proposed in two vital infrastructural areas. Capital spending on Education building and equipment will rise by £32 million, or over 38 per cent, much of it in the third-level sector, and a major expansion of the Roads Programme is planned, involving an increase of £53 million or 52 per cent in annual spending within three years. This will raise by one-third the volume of road-building activity. Although the Government have not yet taken a final decision in the matter, a provision is being made for the construction of a new runway at Dublin Airport. This is estimated to cost £30 million in all and will raise the level of airport investment by £16 million between 1984 and 1987. Investment by Aer Lingus will also rise by £15 million during this period. In other sectors of capital investment, the provision will be broadly maintained at the present level.

7.65 A more detailed presentation of the planned Public Capital Programme allocations is set out in the following paragraphs, while Table 7-2 gives a breakdown of the allocations under major headings.

TABLE 7-2

Public Capital Programme 1984 to 1987

Category	Budget Provision 1984	Planned provisions 1985	1986	1987
	£m	£m	£m	£m
Sectoral Economic Investment				
Agriculture	77	75	79	73
Industry	317	347	361	362
Tourism	11	12	10	9
Fisheries	9	8	9	9
Forestry	19	20	22	23
Miscellaneous	2	1	1	1
Sub-total	435	463	482	477
Productive Infrastructure				
Energy	306	257	180	137
Transport	89	68	86	95
Roads, Sanitary Services, etc.	206	236	245	259
Telecommunications, Broadcasting, Postal Services	190	178	136	116
Sub-total	791	739	647	607
Social Infrastructure				
Housing	377	383	397	411
Education	83	96	107	115
Hospitals	55	58	58	61
Government Construction, etc.	57	61	59	61
Sub-total	572	598	621	648
Contingency provision*	—	—	—	50
TOTAL	1,798	1,800	1,750	1,782

*To be allocated in the light of the budgetary outlook to projects in the economic and productive infrastructural categories which will yield net benefits in excess of the investment involved.

Economic Investment

7.66 Industry In the initial years of the Plan, the Government will provide substantial additional funds for industrial grants to meet demand arising from an expected increase in manufacturing investment. By 1987, however, it is expected that the Government's industrial policy as set out in the recent White Paper will result in a gradual reduction in the average level of grants for fixed assets. Resources freed in this way will be applied to incentives for technology acquisition and export market development measures.

7.67 The IDA's involvement in the provision of industrial land and buildings has been scaled down over the past few years. During the Plan period, IDA expenditure under this heading will be limited to the present year's Budget provision in nominal terms and will be financed entirely from the proceeds of the disposal of IDA-owned land and buildings.

7.68 Agriculture Exchequer resources will continue to be concentrated on investment designed to develop the productive capacity of farms. However, if the resources are to be used effectively, the investment programmes of farmers must be carefully planned and appraised. Standard criteria will be drawn up to enable advisers to carry out a full economic evaluation of all farm investment programmes. The main areas of Exchequer investment will continue to be under the Farm Modernisation Scheme, with special emphasis on investment in livestock housing, on the revised Western Drainage Scheme, for which an extra £3 million is being allocated for operations in 1986 and 1987, and on the Western Package. The Agricultural Credit Corporation will continue to provide adequate funds to meet the borrowing needs of agriculture and agri-business. The Sugar Company will continue to fund its capital development programme from non-Exchequer resources.

7.69 Fisheries The bulk of the capital expenditure over the years 1985 to 1987 will be spent on harbour development works, the modernisation and improvement of fishing vessels and on grants for mariculture, with the aims of improving landings and earnings in the fishing industry and expanding mariculture output. The viability of proposals, including the personal capacity of the applicants, will determine allocations in particular instances. The potential for further development and the return on the investment will determine priorities in harbour works.

7.70 Forestry Government investment over the years 1985 to 1987 will aim at achieving the following results

—the establishment of plantations at an annual average rate of some 7,500 hectares;

—the construction of approximately 350 kilometres of forest roads, the upgrading of 120 km of substandard roads, and the maintenance of around 4,800 km of roads all of which are necessary for the efficient and economic management of state plantations.

Production over the period is estimated at 1.7 million M^3 of pulpwood and 1.8 million M^3 of sawlog, the vast bulk of which will be available to underpin regional employment in the timber processing sector.

7.71 Tourism Bord Failte will provide grants for the development of tourist accommodation and holiday facilities. It will also ensure that its promotional expenditure is concentrated on the markets which have the best prospects for Irish tourism.

Productive Infrastructure

7.72 Energy A considerable portion of the overall capital expenditure in the energy sector will go towards completion of Moneypoint power station in three phases between 1985 and 1988. This will increase electricity capacity by 900 MW and bring the ESB's effective capacity to 3,592 MW (net of retirals under the Strategic Plan as approved recently by the Government). It is estimated, on the basis of present trends, that this should meet demand until the mid-1990s.

7.73 Sanitary Services Very substantial progress has been made in the provision of better sanitary services over the past few years. Schemes approved since January 1983 brought the total value of schemes under construction or at tender stage to £450 million as compared to the corresponding figure of £300 million at the end of 1982. The Government will press ahead with the sanitary services programme and will ensure that adequate resources will be made available for such services to meet the requirements of housing and industrial development and of increasing urbanisation, as well as providing for necessary pollution control and abatement measures.

7.74 Roads The Government have decided that the economic and social importance of an adequate road network justifies accelerated State investment. Details of the main aims of the Roads Programme and of the increased allocations are given in Chapter 3.

7.75 Transport As indicated in Chapter 3, there will be a sharp cut-back in railway investment and overall capital expenditure by CIE in 1987 will, in real terms, be substantially less than its 1984 level. However, funds will be provided to enable the replacement of CIE's mainline rolling stock to be completed, to finance essential capital works required for safety reasons and for further bus replacement by CIE.

7.76 A new runway is planned for Dublin Airport at an estimated cost of £30 million. A final decision on the investment will be taken later by the Government. It will also be necessary for Aer Lingus to

replace some of its fleet, and provision has been made for this. The extent of fleet replacement, its phasing and financing have yet to be considered by the Government.

7.77 Provision is being made for the completion of the Ringaskiddy Deepwater Harbour Project, as well as a number of other smaller projects.

7.78 Telecommunications and Postal Services The telecommunications capital programme will be funded entirely by Bord Telecom Eireann from non-Exchequer sources.

7.79 Under the five-year accelerated telephone development programme, investment in the service was greatly increased. This programme is now drawing to a close, its objectives of providing a high standard of service in terms of both quality and availability having been largely achieved. In the years ahead, the level of investment, while still large, will be reduced substantially.

7.80 The service will be required to pay its way on a commercial basis, including remunerating both the debt and equity capital. In the short-term, this will involve BTE being required to make contributions to the Exchequer of £50 million in 1985, £60 million in 1986 and £70 million in 1987.

7.81 The allocations for postal services over the period of the Plan will provide for improving security and standards of accommodation at postal premises. The postal service will be required to operate without an Exchequer subsidy and to attain greater productivity over the period of the Plan.

Social Infrastructure

7.82 Housing The Government recognise the importance of adequate housing and they will continue to maintain a high level of investment in the local authority housing programme, which now runs at more than £200 million per annum.

7.83 The Government will also introduce a special subsidy of £5,000 per head for local authority tenants who wish to vacate their houses and acquire their own houses.

7.84 Home ownership will continue to be encouraged. Mortgage finance will be available on a substantial scale from local authorities and the Housing Finance Agency and mortgage holders will continue to benefit from the mortgage interest subsidy and tax rebates on interest payments.

7.85 Education With continuing growth in numbers entering third-level and given the pressing need to upgrade or replace certain existing facilities, the resources available for third-level building will limit the number of projects that can be undertaken in the Plan period. Among the major projects which have been proposed are new accommodation for the Dublin Institute of Technology, the Engineering School for UCD, the TCD Clinical Sciences facilities in conjunction with the new Dental Hospital at St. James's, the second phase of the building programme for NIHE Dublin and phase three of the National Colleges of Art and Design. New Regional Technical Colleges in Tallaght, Dun Laoghaire and Blanchardstown, and the commencement of planning of new Colleges in Thurles and Castlebar have also been proposed. Subject to further examination of the need for each project, and to the availability of finance, as many as possible of these projects will be commenced in the Plan period.

7.86 Health The Government intend to continue the development and improvement of the facilities in which health services are delivered. As has been the case in recent years, the Exchequer will provide virtually the whole cost of this development over the Plan period. However, a small amount of the total outlay will be financed through the disposal of existing institutions made redundant by new projects. Because of the substantial running costs involved in the operation of in-patient facilities, the pace and thrust of capital development must be constrained to align with the prospective non-capital resource availability.

7.87 The Government propose to continue with the rationalisation of the acute general hospital services, with the improvement of psychiatric, geriatric and mental handicap facilities, and with the development of community health centres and clinics and of centres in which the specialist requirements of the physically handicapped, including the deaf and the blind, are provided.

7.88 So far as acute general hospitals are concerned, the programme includes provision for major developments at Ardkeen, Blanchardstown, Castlebar, Kilkenny, Mullingar, Naas, Sligo, Tallaght and Wexford. Certain of these developments would be in the

context of reorganisation and consolidation of bed-provision in the relevant Health Board areas. In addition, the programme enables the contracts entered into in respect of projects at the Mater, St. James's and Cavan to continue.

7.89 The scale of a number of acute hospital developments has been reduced by the Government. There will be a concentration upon meeting deficiencies in certain specialities such as orthopaedics, obstetrics and paediatrics. A particular priority will be afforded to out-patient departments and day hospitals.

7.90 In the psychiatric services there will be a continuation of the programme of improvement of living conditions for long-stay patients.

7.91 The development of a comprehensive range of community based psychiatric facilities including day hospitals, day care centres and hostels, will also be provided for in the programme.

7.92 There will similarly be a special concentration upon community facilities for the mentally handicapped, as well as the provision of major day care and residential complexes as are being planned at, for example, Enniscorthy and Loughlinstown.

7.93 It is the Government's intention to make provision for the needs of the growing elderly sector of the population. Improvements are urgently required in many of the institutions which provide for geriatric patients and the programme provides the resources necessary to undertake this task. The programme includes provision for planning and construction of major replacement facilities, for example, at Dundalk, Carlow and Dungarvan, as well as schemes to provide a range of geriatric and psycho-geriatric facilities in the Eastern Health Board area.

7.94 In line with the Government's concern to strengthen the non-institutional elements of the health services, provision is made which will enable the improvement and development of community health facilities such as health centres and clinics throughout the country, particularly in areas of high population concentration and growth.

7.95 The programme also makes provision for additional facilities for the treatment and rehabilitation of drug abusers, particularly the

young abusers. It will also enable the completion of the Youth Development Centre at Dundrum.

7.96 Contingency Reserve A contingency provision of £50 million has been set aside for 1987 for new capital expenditure. This will be allocated in the light of the budgetary outlook to projects in the economic and productive infrastructural categories which will yield net benefits in excess of the investment involved.

TARGET BUDGET PROFILE

7.97 The net result of the Government's decisions will change present trends and make a substantial contribution to the achievement of the following budgetary profile by 1987.

TABLE 7-3

Target Budget Profile—1987

	1984 Budget	1987
	Estimated percentage of GNP	
CURRENT EXPENDITURE		
Central Fund	13¼	13¼
Supply Services	35	32¾
Total	48¼	46
REVENUE		
Tax	36½	36½
Non-Tax	4¼	4½
Total	40¾	41
Current budget deficit	7½	5
Exchequer borrowing for capital purposes	5¼	4¾
Total Exchequer borrowing requirement	12¾	9¾
Public sector borrowing requirement ...	17	11¼

However, there will be a substantial increase in Central Fund requirements in 1985, mainly in respect of debt servicing payments as already indicated in paragraph 7.15. This increase, together with other inescapable commitments, is so large that the reductions in public spending and the tax

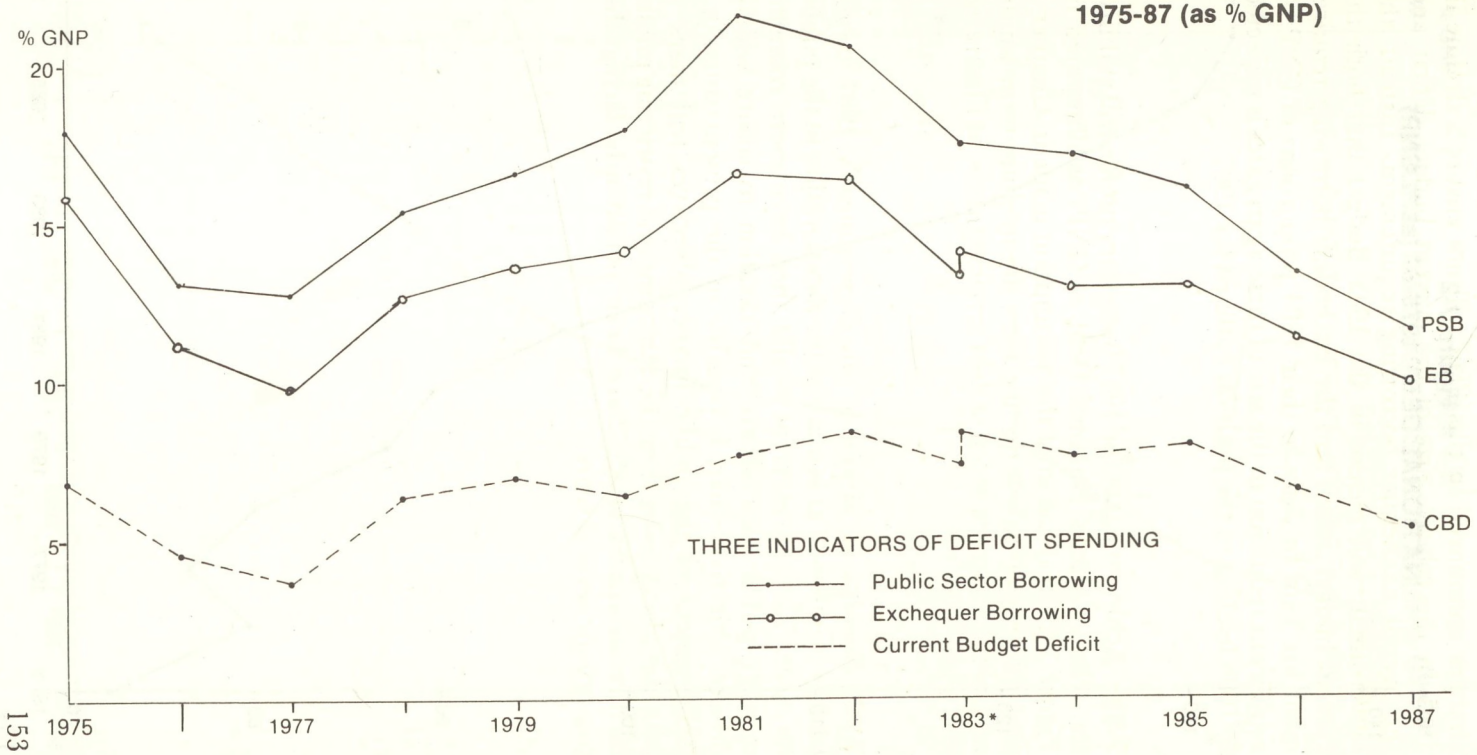
changes announced in this Plan will not ensure a decline in 1985 in the relative size of the current budget deficit and the overall Exchequer borrowing requirement. Instead, the Government will ensure in the 1985 Budget that both the current budget deficit and the Exchequer borrowing requirement are kept broadly to their 1984 proportions of GNP. A significant reduction in the size of these aggregates is expected in 1986 leading to the position outlined for 1987.

7.98 Achievement of the 1987 budgetary profile will stabilise the relative size of National Debt to GNP, as illustrated in Figure 7-2. Realisation of the assumption made in Chapter 1 that interest rates will decline over the medium-term would reduce the relative burden of debt servicing costs, as illustrated in Figure 7-3.

7.99 Success in attaining the Government's 1987 target budget profile will at last arrest the deterioration in the public finances. The Government would then have more room to manage public expenditure and taxation to secure widely desired objectives than is possible in the present situation. Achievement of the public finance objectives will mark a substantial step away from the damaging and restricting public finance prospects which have been persistently facing the country for several years.

Figure 7-1

THREE INDICATORS OF DEFICIT SPENDING
1975-87 (as % GNP)



*break in series due to establishment of An Post and Bord Telecom Éireann.

Figure 7-2
NATIONAL DEBT 1975-87 (as % GNP)

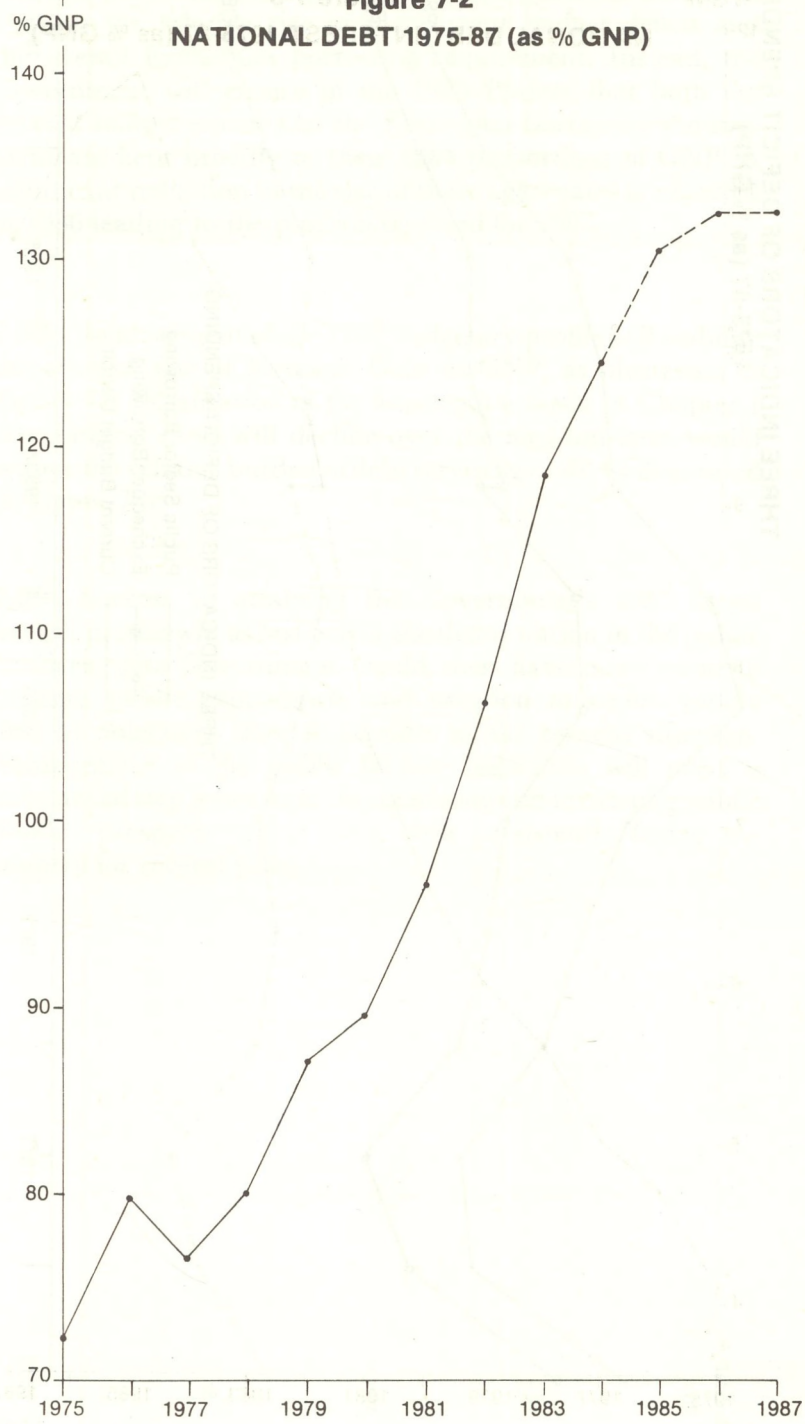
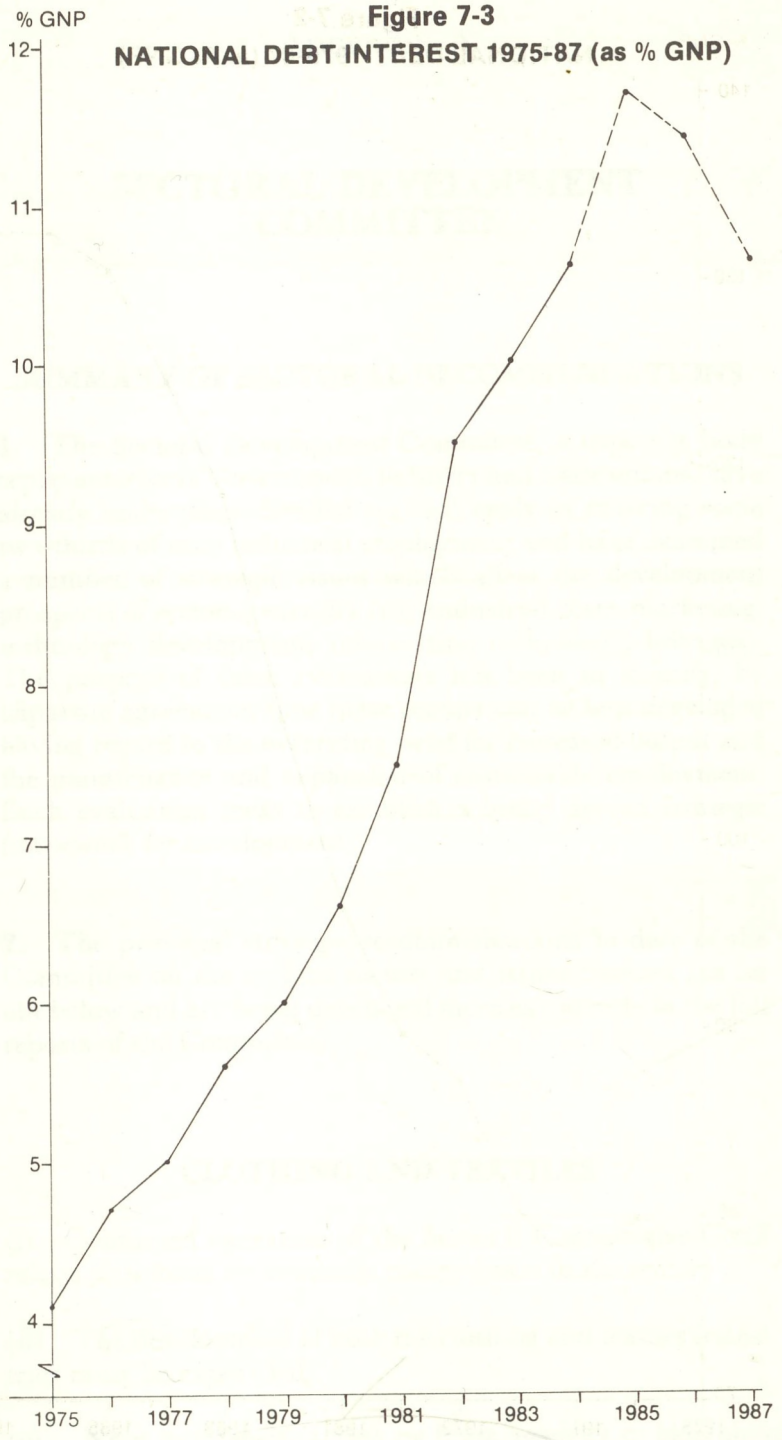


Figure 7-3

NATIONAL DEBT INTEREST 1975-87 (as % GNP)



Appendix A

SECTORAL DEVELOPMENT COMMITTEE

SUMMARY OF SECTORAL RECOMMENDATIONS

1. The Sectoral Development Committee, a tripartite body representative of Government, industry and trade unions, have already undertaken detailed sectoral analyses covering some two-thirds of total industrial employment and have examined a number of strategic issues which affect the development prospects of sectors generally (e.g. industrial costs, marketing, technology development, information technology, linkages). The purpose of these evaluations has been to identify, by tripartite agreement, how these sectors can be best developed having regard to the overriding need for increased output and the maintenance and expansion of sustainable employment. Each evaluation seeks to establish a broad agreed strategic framework for development.

2. The principal strategic recommendations to date of the Committee on the various sectors and issues covered are set out below and are being developed more extensively in the full reports of the Committee.

CLOTHING AND TEXTILES

(i) Continued operation of the Sectoral Consultative Committee as a focus for tripartite co-operation in the sector;

(ii) The development of both the clothing and textiles industries must be export-led;

(iii) Need to intensify action by State agencies to help on a

viable basis firms in distress; the general profitability of the industry must be restored;

(iv) State aid should normally be linked to flexible business development plans;

(v) Better co-ordination and combination of activities of State industrial and promotion agencies;

(vi) Need to upgrade the technology of the clothing industry and maintain the technological status of the textiles industry which is high at present;

(vii) Need for urgent measures to improve the marketing capability of the clothing and textiles industries;

(viii) State agencies (IDA, AnCO, CTT, IIRS, YEA) to prepare schemes to provide technological, marketing and management skills in firms over a development period of up to 3 years.

MECHANICAL ENGINEERING

(i) Continue the Sectoral Consultative Committee as a focus for tripartite co-operation;

(ii) State aid should normally be on the basis of business development plans. An important objective of such aid should be to help small firms to grow to a size which enables them to compete more effectively on domestic and export markets;

(iii) Co-ordinate and deploy in the most effective way possible the staff and other resources of the State agencies concerned;

(iv) Provide a sub-contract liaison, quality control and materials utilisation service to the industry;

(v) State agencies to help small indigenous firms to employ and train graduates in product design;

(vi) An Foras Taluntais to establish an Agricultural Machinery Unit;

(vii) AnCO to establish a scheme for in-company training of tool designers. A part-time course for tool designers to be provided at Regional Technical College level;

(viii) The training agencies to develop in individual firms over a period of up to 3 years graduate and technician design teams;

(ix) Study the feasibility of a consortium to design and construct process plants.

ELECTRONICS

(i) Continue to intensively promote Ireland as a location for overseas investment in the sector but target the promotional effort on identified promising segments. Such investment remains the most promising source of new jobs in the sector as well as providing spin-off opportunities for the development of indigenous electronics firms. This objective should be pursued through:

—maintaining financial incentives (grants and tax concessions) at an attractive level compared with other countries competing for inward investment;

—supporting expenditure on marketing and technological capacity as well as on assets such as building and machinery;

—focussing on selected firms with high development potential and devising incentive packages aimed at their requirements;

—giving high priority to upgrading the telecommunication/information exchange network;

—concentrating R&D aid for the electronics industry in practical research projects aimed at product development and upgrading process and manufacturing technologies in selected segments;

—the development of programmes to help graduates gain employment experience including the incorporation of work-experience projects in degree/graduate courses and the maintenance of an information file on graduates/skilled workers leaving Ireland;

—maintain the good labour relations and flexibility in labour practices associated with the establishment of many new electronics projects in recent years;

—encouraging a concentration of support facilities and electronics firms in a few locations to increase the prospects for the development of indigenous spin-off projects;

—promoting the development of companies providing test-facilities for the electronics sector to complement the services provided by the IIRS;

(ii) Seek to "deepen" the investment by existing overseas companies in Ireland through closer liaison with the companies in order to identify additional investment opportunities, making specific proposals to the companies on identified opportunities and the upgrading of specific business functions undertaken by the Irish subsidiaries;

(iii) Indigenous activity in the electronics sector should be extended and upgraded through:

—an improved tax environment to encourage local entrepreneurial activity;

—identifying the scope for linkages with all existing and new electronics firms and actively seeking firms and individuals to give effect to these opportunities — either with or without State participation;

—increased emphasis should be placed on promoting projects involving Irish businessmen based on joint ventures or licence agreements with overseas companies and including the restructuring of existing firms or groups of firms where necessary to facilitate the establishment of entities that can compete effectively on home and overseas markets;

—more intensively promoting the technical/entrepreneurial

expertise in third-level institutions to participate directly in new or existing projects in the electronics sector here;

—grant-aiding R&D activity of potential practical application to indigenous firms taking account of their level of technology and expertise and taking special account of the funding needs of small companies engaged in R&D activity;

(iv) At an institutional level a co-ordinating group should be established from the main State agencies and Government Departments involved, the employer bodies and trade unions to provide a forum for the review and co-ordination of strategies for the development of the electronics sector.

PLASTICS

(i) Overseas companies in plastic healthcare products and plastic electronic/computer products should continue to be promoted intensively but with greater emphasis on local marketing control and technical development functions;

(ii) Technical assistance grants should be provided for merger feasibility studies to create more competitive units and for export and import substitution;

(iii) The State agencies and the Plastics Industry Association (PIA) should co-operate to promote marketing and technical graduates for development projects in smaller firms;

(iv) A National Plastics Centre should be established by locating the major training and educational facilities for the plastics industry in one centre;

(v) Financial incentives should be provided over 3 years to up-date equipment involving the acquisition of advanced technology within the framework of company development plans. The opportunities and benefits of the use of CAD/CAM systems in the industry should be urgently examined;

(vi) The industry should establish a specific educational and

training plan. The levy grant system should be reviewed and improved;

(vii) Competitiveness in the industry should be improved through:

—improved material utilisation;

—more computerised control systems;

—the establishment by the industry of a data-base against which firms can compare their performance;

(viii) In order to secure improved quality control performance;

—State aid should be conditional on proper quality control systems and procedures;

—Irish (or international) standard specifications should be introduced for a wide range of plastics products;

—the State agencies and PIA must promote higher quality standards in the industry;

(ix) Existing State financial assistance should be related more to the specific needs of individual companies.

CHEMICALS AND PHARMACEUTICALS

(i) Ireland should continue to focus its development strategy on the further development of the speciality and fine chemicals segment of the chemical industry;

(ii) Because of existing serious problems of over-capacity and fragmentation in the European petrochemical commodity sector extreme caution should be exercised in regard to investment proposals for petrochemical or other heavy chemical projects;

(iii) Priority in grant assistance to new overseas companies should be given to those export-oriented companies which produce environmentally safe products, manufacture finished consumer products, use Ireland as a unique source of key

bulk intermediaries and which locate marketing and/or R&D facilities in Ireland;

(iv) Existing overseas companies should be encouraged to extend the range of chemicals made here and to take their products to a more advanced stage of finishing and consumer use;

(v) High priority should be given to developing an effective linkage programme for the chemicals sector;

(vi) Special attention should be paid to the accelerated development of selected, progressive indigenous companies;

(vii) Overseas companies and indigenous distributors which have a significant share of the Irish market for speciality and fine chemicals should be encouraged to manufacture some of their products in Ireland;

(viii) Procedures should be examined for funding R&D projects in firms which, for confidentiality reasons, may not wish to submit the details or outline of a research project in seeking grant-aid from State sources (e.g. by relating overall investment aid to the number of R&D personnel to be employed);

(ix) The national programme of S&T relating to the chemicals sector should be strengthened particularly by the development of centres of expertise in third-level education institutes and universities in the emerging technologies in the sector — particularly in the area of speciality chemicals. Graduate placement schemes should be extended and greater staff mobility encouraged between third-level educational bodies and industry.

SEA-FISHING AND AQUACULTURE

(i) Development of the fishing industry must now be based on improved fleet productivity rather than fleet expansion;

(ii) Much better marketing of fresh and processed fish at home and abroad is required;

(iii) Increase the catch of marketable fish species not subject to tight national quotas under the Common Fisheries Policy;

(iv) A White Paper on policy for the industry is urgently needed. BIM, in consultation with the Department of Fisheries and Forestry, should prepare a strategic plan to translate policy into detailed objectives and measures. The Sectoral Consultative Committee for the Fishing Industry should continue and help the preparation of this strategic plan;

(v) The Department of Fisheries and Forestry and BIM should embark on an immediate programme to identify the size and structure of the fishing fleet which can foreseeably operate efficiently and profitably. The required structure should be achieved within a 5 year investment programme at a level similar to that of recent years. This is likely to entail the retirement of some boats from the fleet;

(vi) Undertake a programme of exploratory fishing to obtain a substantial increase (specified) in non-quota catch so as to recover profitability;

(vii) A small expert group (3-4 members) to report to the Minister for Fisheries and Forestry on the development of the inshore fishery (including salmon) within 6 months;

(viii) There are 15 public agencies active in the development of aquaculture. Give primary responsibility to BIM and make the necessary rationalisation arrangements (specified);

(ix) Expand the fish-processing sector involving increased catches of specific species, improved continuity of supplies (including purchases from foreign boats and the introduction of supply contracts), joint-ventures between Irish and overseas firms, improved technology, better quality control, greater development of new products and much better marketing;

(x) BIM should exercise the lead role in export promotion but the resources of BIM and CTT need to be brought closer together in supporting export activity;

(xi) BIM and the industry should promote increased consumption of fish on the domestic market, including through supermarkets, fast-food and catering firms;

(xii) The Government should strive to improve the operation of the Common Fisheries Policy along the lines specified in the full report of the Sectoral Development Committee.

DAIRY

(i) Because of its great economic and social value, the dairy industry must be developed to the full extent feasible in the light of CAP developments;

(ii) The market situation in the Community and world-wide must be carefully monitored so that production reflects the market opportunities;

(iii) Seasonality of milk supplies must be reduced to lessen dependence on intervention products;

(iv) To increase the range of products that can be produced and marketed, milk quality and composition must be improved and an appropriate updating of existing legislation in this area should be undertaken (including the registration of producers and the introduction of legal minimum standards of hygiene);

(v) Diversification in products is now essential. The current product mix is not sustainable in the medium to long-term;

(vi) Increased investment must be provided from within the industry for research and product development. The industry should organise to provide the commercial and financial strength for new product development and marketing;

(vii) The industry should be market-led and develop a medium-term marketing plan;

(viii) Centralised marketing through An Bord Bainne should be continued, together with product and marketing initiatives by individual enterprises, or combinations of enterprises;

(ix) The need for a representative Dairy Development Board should be examined.

BEEF

(i) The long-term strategy for the beef industry should be oriented towards the sale of high value-added products to EEC markets within the broad marketing strategy recommended by the Sectoral Consultative Committee;

(ii) Standard descriptions for vacuum-packed beef should be drawn up and implemented involving the Department of Agriculture, the industry and the relevant State agencies;

(iii) Meat factories should introduce differential payments for carcases based on the "Europ" grid system;

(iv) The constraints to increased beef production caused by the seasonality of cattle supply should be tackled by the development of contract arrangements between producers and slaughterhouses and the provision of assistance from the agricultural advisory service. The question of incentives to encourage winter feeding should also be examined;

(v) The establishment of producer groups should be particularly promoted and the Department of Agriculture should seek to have the present EEC regulation on producer groups extended to Ireland;

(vi) In order to increase cattle numbers existing headage schemes should be amalgamated into a single incentive scheme for the expansion of suckler herds based on quality and an assurance given that the new scheme would be continued for a minimum period;

(vii) At EEC level the Government should:

—continue to strive to have eliminated any market distortions caused by export subsidies and MCAs;

—continue to press for a Directive to allow the export of comminuted products (e.g. mince meats) to EEC countries; in advance of such a Directive bilateral arrangements should be made with other EEC countries;

—subject to retaining the normal preconditions against the introduction of animal disease, seek to get Ireland's share

of allowable manufacturing imports supplied from sales out of intervention.

BUILDING AND CONSTRUCTION

(i) A Development Council should be established for the industry, under the aegis of the Department of the Environment, representing the State, employers, trade unions and the professions, to provide a forum which would continue to assess the performance of the industry and develop measures to improve effectiveness and efficiency;

(ii) Large annual fluctuations in the volume of construction such as have occurred in recent years are not conducive to the orderly development of the industry. For example, output has varied between 18% of GDP in 1979 and almost 13% in 1983, the latter being close to the European Community average in recent years. Whereas public construction investment in 1983 was in real terms approximately the same as in 1979 (the peak year for output), private investment had declined to less than 50% of the 1979 level. The development of the industry can clearly be greatly aided by a greater private investment in sectors where demand exists. Although the fluctuations are due in the main to volatility in private rather than in public funded investment the development of the industry would, nevertheless, benefit from public investment being planned, as far as possible, on a multi-annual basis;

(iii) The need for growth of the industry should be taken into account in the long-term development of the economy and Government policies directed towards this end;

(iv) Measures should be considered to stimulate counter-cyclical activity in private construction investment, so that funds, including institutional funds, could divert from sectors where demand has declined to sectors where demand still exists. Such measures should include investment in private rental housing by individuals, institutions and Building Societies (two-thirds of the latter's investment is now in second-hand houses), in housing maintenance, conversion and rehabilitation, joint ventures between public and private housing

investment including in the local authority area, extension of the road and bridge toll system including joint ventures between public and private investment, specific urban redevelopment schemes and possible joint public/private investment in sanitary services. Measures which enable public funds to be used to generate increased participation by private funds for important economic and social purposes should be examined;

(v) Within the level of public investment possible in the context of the general fiscal and economic situation, considerations such as employment, use of indigenous materials, construction efficiency and economic and social return on the investment should determine priorities;

(vi) Efficiency and Value for Money: There is considerable scope to improve efficiency and achieve lower costs in the industry. The following measures should be adopted towards this purpose:

—better appraisal of the returns on State investment in construction in terms of output, employment effects, the fiscal impact and financial returns;

—improved control procedures by Government Departments and State agencies for their construction projects including a Code of Practice for the briefing of design teams, and the type of consistent cost control procedures outlined by the Sectoral Consultative Committee;

—reduce absenteeism which is a significant and costly problem for the industry;

(vii) Safety: Adequate safety programmes should be compulsory on all publicly-funded construction projects and trade unions and employers should promote comparable safety measures on other sites;

(viii) Exports: Promote the export opportunities that exist for construction, consultancy services and building materials. Measures might include greater concertation by exporters, more expert support by banking groups, taxation policies and improvement of CTT services;

(ix) Materials: The greater opportunities for use of domestic materials should be realised by such measures as the development of a national marketing strategy by IGC/CTT, review of the management arrangements for State forests and joint action by State and timber industry to market native timber at home and abroad;

(x) Physical Planning: The planning system should be overhauled to shorten the time between conception and commencement of construction projects without prejudice to planning principles for the protection of the environment. Compulsory purchase procedures should also be shortened without prejudice to equity.

MARKETING

(i) The need for strategic marketing in firms at top management level must be more fully recognised and promoted;

(ii) Responsibility should be assigned to one agency — CTT — for fostering and promoting improvement in marketing performance;

(iii) The Government Industrial Policy Management Committee should establish an inter-agency group, representative of CTT, IDA, Irish Goods Council and IIRS to improve the marketing support system and ensure that each agency has clear and co-ordinated objectives and strategy;

(iv) Marketing support should focus on the enterprise rather than the project. The Management Committee on Industrial Policy should urgently define the respective roles of CTT and IDA in company development;

(v) State aid in future should be conditional on good marketing capability and standards laid down by the proposed inter-agency group;

(vi) Commercial public enterprises should take a positive approach to identifying and exploiting development opportunities. The State support agencies should actively seek to identify

market opportunities to be exploited by either the public or the private sector;

(vii) The Industrial Policy Management Committee every 3 years should critically evaluate the marketing support services;

(viii) Marketing competence within individual enterprises should be improved by, inter alia:

—the appointment of individuals with proven marketing expertise to the boards of enterprises in a non-executive capacity for a limited period;

—greater use of group marketing schemes;

—co-operation between large indigenous/foreign firms and small firms aimed at assisting small firms to develop marketing competence;

(ix) The undertaking by the Irish Goods Council of an intensive marketing support programme for indigenous firms which compete on the home market;

(x) Improved State financial assistance should be made available for market entry and development costs to firms with known potential;

(xi) Marketing education and training resources should be reallocated to provide back-up training in strategic marketing.

INDUSTRIAL TECHNOLOGY

(i) Existing technological supports and resources should be focussed more on promising new technology areas with good market potential;

(ii) Establish technology development plans for key strategic technologies e.g. engineering and materials technologies, bio-technologies and information technologies. A strategy for the development of information technology is being developed by a separate tripartite group established by the Sectoral Development Committee and the work of this group will form

a useful input into proposals which Government Departments are currently preparing for the development of the sector;

(iii) Concentrate on the *application* of technology while promoting and developing excellence in certain areas of basic science;

(iv) Establish Technology Committees in conjunction with industry:

—to advise on industry's needs;

—to assist information dissemination;

—to support pre-commercial research and improve productivity and quality control;

(v) Improve the level of skills in industry by expanding technical placement schemes, providing training grants for highly qualified technologists and providing practical and relevant training schemes for skilled personnel. For their part firms must invest more in training new graduates and supporting more in-service training and increase their level of efficiency, productivity and quality control, through the employment of more suitably skilled manpower;

(vi) Improve the activity of State agencies in keeping abreast of overseas developments in relevant technologies (plant, equipment, products, licences, joint-venture opportunities) and to disseminate this information in Ireland;

(vii) Provide more flexible incentives for innovation, R&D and technology acquisition;

(viii) Public purchasing should be used to stimulate innovation and public tenders should be sought for State R&D contracts;

(ix) Improve the information flow to small firms on the opportunities for development and increased profitability through science and technology;

(x) Improve the level of higher education/industry linkages by improving and expanding the HE-Industry Cooperative Research Scheme, increasing the level of support for basic

R&D in selected strategic technologies, encouraging the interchange of personnel between the higher education sectors in this and other countries in selected areas and greater involvement of industry in curriculum development.

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